

OVERSIGHT OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

HEARING BEFORE THE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE ONE HUNDRED SIXTEENTH CONGRESS SECOND SESSION ON

EXAMINING THE EXPORT-IMPORT BANK'S RECENT ACTIVITIES AND OPERATIONS, THE 7-YEAR REAUTHORIZATION LEGISLATION, AND THE EFFECT OF THE DISRUPTION COVID-19 HAS HAD ON THE U.S. ECONOMY AND ITS IMPACT ON U.S. EXPORTERS

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TUESDAY, JUNE 23, 2020

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 2:30 p.m., in room SD-562, Dirksen Senate Office Building, Hon. Mike Crapo, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN MIKE CRAPO

Chairman CRAPO. This hearing will come to order.

As is our custom recently, this hearing room has been configured to maintain the recommended 6-foot social distancing between Senators, witnesses, and other individuals in the room necessary to operate the hearing, which we have kept to a minimum.

A few videoconferencing reminders: Once you start speaking, there will be a slight delay before you are displayed on the screen. To minimize background noise, please click the mute button until it is your turn to speak or ask questions. If there is a technology issue, we will move to the next Senator until it is resolved. I remind all Senators and our witness that the 5-minute clock still applies. You should have a box on your screen labeled "Clock" that will show how much time is remaining.

Unfortunately, in the last couple of hearings, we have had a number of Senators who have either not had the box or have not been able to locate it on their screens, and so I will do my very best to rap the gavel at about 15 seconds before your time is up point.

To simplify the speaking order process, Senator Brown and I have again agreed to go by seniority for this hearing.

With that, we welcome our witness, the Honorable Kimberly Reed, President and Chairman of the Board of the Export-Import Bank of the United States. We welcome you back, Chairman Reed. It has been almost exactly a year since your last appearance before this Committee.

Today we will receive testimony on Ex-Im's recent activities and operations, including your efforts to implement the 7-year reauthorization legislation we enacted last December, as well as your efforts to continue to process through the transactions and other matters in your pipeline at Ex-Im, and to increase your outreach and efforts to bring new U.S. export opportunities into the pipeline.

In addition, we know the disruption of COVID-19 on the U.S. economy has had an impact on U.S. exporters as well, and we will

be interested to hear of any efforts and initiatives you are undertaking to deal with these challenges.

Chairman Reed, you have been on the job for a little over a year now.

When you came before us for your nomination hearing, and when you met individually with me and my colleagues on both sides of the aisle, you made a commitment that, if confirmed, you would move forward on implementing any outstanding congressionally initiated reforms, as well as bring your own commitment to greater transparency and accountability for the Ex-Im Bank.

As I have since noted in other Ex-Im-related hearings in this Committee, your efforts to follow through on your commitment to transparency, accountability, and reform have not gone unnoticed by me and by my colleagues on this Committee.

I commend you for those efforts and encourage you to continue them.

In December 2019, this Congress enacted a 7-year reauthorization of the Ex-Im Bank, the longest authorization period in the Bank's history.

This extension provides much-needed certainty for U.S. exporters and strengthens an important tool for the U.S. to compete directly with China and others in the global marketplace.

Included in the legislation is a new initiative focusing on China and Transformational Exports, which will reserve a significant portion of Ex-Im's exposure authority for transactions that will put U.S. exporters in direct competition with China.

This program will particularly focus on U.S. exports of innovative technologies, like semiconductor manufacturing, artificial intelligence, biotechnology, wireless communications, renewable energy, and energy efficiency and storage, as well as emerging financial technologies.

The new law also includes a requirement that, in addition to its existing notification obligations to Congress, Ex-Im shall consult with the State Department as part of the efforts to assess any risk to the national interest for any proposed transaction above \$25 million involving any business entity that is controlled by the Chinese Government.

Our reauthorization legislation also had an important focus on increasing the participation of American small businesses in Ex-Im projects, by raising the target from 25 percent to 30 percent for small business participation in Ex-Im-supported exports.

Chairman Reed, we look forward to any update you can provide on Ex-Im's implementation of these important initiatives and all provisions included in the December reauthorization.

We have discussed in previous Committee hearings you and your Board colleagues faced a number of pending transactions and other matters to address upon taking office.

Now that you all have had some time at Ex-Im, we would like to hear an update on those efforts as well to address those transactions and matters that had already been in the pipeline, as well as your outreach efforts to bring new American businesses and export and job creation opportunities into the pipeline.

Finally, with regard to the COVID-19 global pandemic, we know business and Government operations all over the world have been impacted.

For an agency such as Ex-Im, with such a global scope to its mission and operations, we would be interested in hearing your thoughts about the challenges that you and your team have faced, as well as those faced by the American businesses and other stakeholders you work with on a daily basis.

And we ask that you share with us any initiatives Ex-Im has commenced to assist U.S. exporters in dealing with the challenges of COVID, while remaining competitive, creating jobs, and growing our economy.

Chairman Reed, thank you again for your considerable efforts, and I look forward to your and our continued work together on these important efforts.

Senator Brown.

OPENING STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. Thank you, Mr. Chairman, for calling today's hearing. President Reed, thank you very much for joining us and for the work you do at Ex-Im. This is a critical time for—am I muted? I am OK, right? This is a critical time for Ex-Im.

Last year we finally provided certainty to American exporters and their workers by enacting a 7-year extension of the Ex-Im charter, as the Chairman said. This is a big victory after years of obstruction by some of my Republican colleagues, on this Committee and off this Committee.

We all know what happened here in Congress. In 2015, during the last debate on reauthorizing the Bank, a small group of opponents, supported by far-right special interests, tried to kill the Bank altogether.

When that did not work, they decided to block all nominees to the Bank's Board, denying it the quorum needed to approve transactions greater than \$10 million. Ex-Im supported some 160,000 jobs before it shut down, and Ex-Im was an essential tool for creating manufacturing jobs with good salaries. Their obstruction cost us some 130,000 jobs a year by 2018.

Today the economic damage from COVID-19 builds, and Mitch McConnell refuses to let us do our jobs and pass additional help for families and communities and small businesses. Ex-Im will be called on to help ensure the survival of our manufacturing base and its thousands of small businesses and their workers.

Ex-Im during the last crisis added 515 new small business clients in 2009 alone; the stakes are even higher today.

There are more than 100 export credit agencies and credit programs around the world that support foreign manufacturers, but we know our greatest challenge is China.

China's export finance activity is larger than all of the export credit provided by the G7 countries combined. We can expect China to continue using export credit as a weapon to win manufacturing business in critical industrial sectors.

The President and many of my Republican colleagues want to blame China for everything, including the virus that has taken the lives of nearly 120,000 of our brothers and sisters and parents and

sons and daughters. That is in our Nation 30 percent of the world's deaths. China has not been a model of responsibility, to be sure, but President Trump needs to stop blaming China for his own failures to do more at home to prevent the spread of COVID-19.

For my Republican colleagues who profess concern about China, I wish they had shown the same concern with standing up to China during our 4-year fight to support American manufacturers.

And if you say you are concerned about China, then you should support filling Ex-Im's board so our manufacturers can better compete with China.

President Reed, I look forward to hearing how Ex-Im is working both to assist American companies during this crisis and to help them respond to China's efforts to use export financing to gain market share. The Bank has an important role to play during this crisis.

Sadly, we must also discuss Ex-Im's response to a tragic incident in April at a power plant in India. The Sasan power plant received significant financing from the Bank, and yet it has a terrible safety record.

Finally, we must talk about the Senate's unfinished work. I urge Members of this Committee to ask Leader McConnell to allow the Senate to consider the long-delayed nominations of Paul Shmotolokha and Claudia Slacik.

If we believe Ex-Im should be helping U.S. small businesses during these difficult economic times and helping manufacturers compete against State-backed Chinese companies, there is no excuse for delaying the confirmation of Shmotolokha and Slacik. It needs a full Board of Directors.

A core role of Ex-Im board members is educating the business community about how to use the Bank's export financing to expand sales abroad and to create more jobs in our country.

Many small businesses are just trying to survive right now. We know that. Some of them do not know that Ex-Im is a tool that can help. We need a full board that can be proactive about offering support.

Mr. Shmotolokha, the Republican nominee as First Vice President, was reported out of this Committee more than a year ago. Ms. Slacik was first nominated nearly 4 years ago. Neither is controversial.

Mr. Shmotolokha, the Republican, has deep experience in the telecom industry and decades of experience in international business. Ms. Slacik, the Democrat, previously served at Ex-Im and has some 30 years of commercial banking experience.

I think Ex-Im has an effective management team. Thank you for that, Ms. Reed, but you should be able to operate at full capacity during an unprecedented crisis, not still missing two members with critical expertise.

We have two nominees who can provide important expertise at a critical time when we must help American businesses compete against China. Somehow these noncontroversial nominees are mysteriously blocked.

We also have a qualified Inspector General nominee, Peter Coniglio, who is waiting for confirmation also.

Congress must take up these nominations immediately.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Brown.

As I indicated, we are joined today by the Honorable Kimberly A. Reed, President and Chairman of the Board of the Ex-Im Bank, or Chairman of the Ex-Im Bank of the United States. Thank you for joining us today in the Committee.

Chairman Reed, you may proceed.

STATEMENT OF KIMBERLY REED, PRESIDENT AND CHAIRMAN, BOARD OF DIRECTORS, EXPORT-IMPORT BANK OF THE UNITED STATES

Ms. REED. Chairman Crapo, Ranking Member Brown, and Members of the Committee, thank you for this opportunity. I hope everyone is staying safe and healthy. Many of us have lost loved ones, and I offer heartfelt thanks to our Nation's health care professionals and essential workers.

The Export-Import Bank of the United States has the mission of supporting American jobs by facilitating U.S. exports. Our vision is "Keeping America Strong: Empowering U.S. Businesses and Workers to Compete Globally." I love this mission and vision, as the U.S. worker is at the heart of everything we do. And our mission has never been more important than it is today.

It has been nearly 1 year since I last appeared before this Committee. At that hearing I shared with you my priorities that I conveyed to my Ex-Im colleagues on my first day of work: fully reopening, reforming, and reauthorizing Ex-Im, thereby providing positive results for America's workers and businesses, while protecting America's taxpayers. I want to thank the Members of this Committee for your support and engagement as we have worked hard to deliver on these commitments over the past year.

Given time constraints, I make most of my remarks in my written testimony. Today I will highlight areas of particular interest to this Committee: Ex-Im's transaction pipeline reforms, historic reauthorization, and COVID-19 response.

Last year I committed to you that Ex-Im would work through its financing applications in a prudent way. In fiscal year 2019, Ex-Im authorized \$8.2 billion in financing that is estimated to support 34,000 U.S. jobs. We now have more than \$39 billion in pending Board-level transactions undergoing various stages of due diligence and underwriting. We also are in many preapplication stage conversations. I want to recognize Board members Bachus and Pryor and our Ex-Im colleagues for their efforts.

I pledged to this Committee that I would work to reform Ex-Im by increasing transparency, strengthening taxpayer protections, improving protections for domestic companies, ensuring Ex-Im does not crowd out private financing options, cracking down on bad actors, and working to reduce the reliance on export credit agencies globally.

I am pleased to report we have made significant progress on these six commitments. Most notably, after an 11-month public review process, Ex-Im's Board in May unanimously adopted reforms to the agency's economic impact and additionality procedures. Specifically, Ex-Im sought public comment in the *Federal Register*; held two public Ex-Im Advisory Committee meetings, chaired by

former Congressman Stevan Pearce and featuring experts with diverse views; solicited independent third-party review; and considered other Government agency input. Collectively, the reforms to both sets of procedures enhanced transparency and accountability while strengthening taxpayer protections.

We achieved a major success for America's workers when Congress passed and President Trump signed into law on December 20, 2019, a historic 7-year reauthorization of Ex-Im, the longest in Ex-Im's 86-year history. Thank you.

Over the past 6 months, we have been implementing the provisions of this reauthorization. I want to highlight two key efforts.

To set the stage, I will preview Ex-Im's to-be-released annual report on global export credit competition that we will submit to Congress at the end of June. The world now has 115 known official export credit providers, up from 85 just 4 years ago. When it comes to export credit financing, China is fundamentally changing the nature of competition. China is very aggressive, strategically focused, and unlike the United States and many other countries, not subject to the same international rules and agreements. From 2015 to 2019, China's official medium- and long-term export credit activity alone was at least equal to 90 percent of that provided by all G7 countries combined.

Accordingly, Ex-Im is pleased to have the new congressional mandate to compete with China and counter its opaque and exploitative model of economic development and finance. We are actively establishing the Program on China and Transformational Exports, which is one of Ex-Im's most significant efforts in its 86-year history and vital to help level the playing field so our Nation's businesses and workers can succeed against the fierce Chinese competition around the world. We are expeditiously addressing policy and legal issues necessary to compete successfully and working through a resource assessment to ensure this program is fit for purpose.

Another focus is boosting Ex-Im's small business engagement to achieve our new 30 percent small business mandate set by Congress. We have launched initiatives focused on outreach and education, resources for underserved markets, working with private sector partners, increasing ease of doing business, and improving transparency. I am confident we can reach and equip more businesses with tools to reach new markets.

When it comes to COVID-19, Ex-Im swiftly responded operationally and programmatically. On the operations side, Ex-Im's workforce, 515 Federal civil servants and contractors quickly transformed into a temporarily fully teleworking agency. We are a family—I know they are watching right now—and I am so proud of their commitment to our mission.

Ex-Im also responded programmatically. On March 12th, Ex-Im announced temporary relief measures for current customers, and in April, Ex-Im announced four temporary initiatives to address targeted needs experienced by exporters and private sector lenders.

The stress for Ex-Im borrowers appears primarily to be one of short-term liquidity and not long-term solvency.

Thank you. I am pleased to answer any questions.

Chairman CRAPO. Thank you, Chairman Reed.

I want to talk first about reforms and then second about China. That will probably use up my time. Shortly after you were sworn in as Ex-Im Chairman 13 months ago, you launched a broad reform initiative that you referenced in your testimony. Could you just speak a little more, maybe a couple minutes more, about the details of the reforms of those six commitments that you made, the types of reforms you have accomplished so far?

Ms. REED. Absolutely. From day one, at my nomination hearing Senator Toomey asked me to commit to six promises under oath in front of this Committee, and I want to thank my colleagues at Ex-Im for helping us move this forward in substantial ways over the past year.

When it comes to increasing transparency, every day I am looking at what we are doing and how we can be sharing it with you and with the American taxpayer so you will see more transcripts posted online. If you look at our press releases, you will be able to follow all of our activity, and I am pushing to share more information about every transaction that we support.

When it comes to strengthening taxpayer protections, we have a full gamut of efforts that we are doing with our approved Chief Risk Officer and Chief Ethics Officer. We want to do everything we can to protect the taxpayer.

When it comes to improving protection for domestic companies, as I mentioned, we revised our economic impact procedures. And not to crowd out private financing, we have new additionality procedures that we have just put into place.

I had a very nice conversation with Senator Toomey this morning in his office, and we went through these in detail. I have a sheet, and, sir, I would be happy to walk through any of these efforts at length with any Member of this Committee. But I want to say that we are really being sure that we are cracking down on bad actors. We have not only increased our focus domestically to ensure that bad actors do not act, but also we are focused around the world, and with that we created a new position at Ex-Im, our Senior Adviser for National Security, and also we will be talking more about the China Program, I am sure, in a little bit.

And then, finally, we are required by law to do what we can to reduce reliance on ECAs. As I mentioned when I testified here a year ago, we will be hosting the G12 here in Washington, and that had to be postponed from April, but we look forward to having a very robust conversation then. But many actions have taken place from last year until now, including when I have conversations directly with my colleagues, with Ambassadors, and with Government officials at Treasury and with other agencies in our Government and around the world. Thank you.

Chairman CRAPO. Well, thank you. And as you know, those reforms are very important to our getting the political support that we need to continue to expand the base of support for the Bank's operations, and I think you have done a great job in moving forward on those, and I encourage you to continue to do so.

My last question, we just have about a minute or two—well, I have 2 minutes left—is on Chinese competitiveness. Last year Congress mandated the establishment of a Program on China and Transformational Exports at Ex-Im Bank to combat actions by

China that are preventing U.S. businesses from being able to compete on a level playing field. Could you just provide us with an update on your efforts to implement that program?

Ms. REED. Absolutely. So we were delighted to get this new mission. As you know, in law, it charges Ex-Im with focusing 20 percent of its \$135 billion portfolio, or \$27 billion, up to that amount, to neutralize China and advance the United States' comparative leadership in the world. And that program obviously takes a lot of effort and a lot of focus to do it the correct way. We have recruited from the Pentagon a Senior Counselor and Senior Vice President for this new program, Dave Trulio. He is currently assessing our resource needs. We are working throughout our agency to see how our legal requirements and other procedural requirements need to be addressed. We are engaging already with applicants, potential applicants. We do not want the program to be delayed in any way if there is a need.

You will see that earlier this year we approved a deal in the country of Mozambique that actually displaced China and Russia, and it was the largest deal in the history of the Export-Import Bank of the United States, and we are very pleased that we have workers in our country now that get to provide \$5 billion of materials and services to Mozambique as they take on this transformational effort.

But there is a lot of work to be done. Resource allocation needs to be addressed because this program came forward after our budget was set, and you can imagine that this has lots of different issues. And I really want to thank our interagency partners as well, as we work with the State Department and the NSC and others to ensure we are doing everything we can.

I would be pleased to have a further briefing with you and the Committee in detail at any time.

Chairman CRAPO. Well, thank you. And thank you again for your efforts in this area as well.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. And, Chairman Reed, thank you to you and the Board for working to ensure Ex-Im is doing the most it can for American exporters and workers during this pandemic.

I noted earlier and you noted in your opening testimony that China provides more exporting credit than the rest of the G7 combined. Do you expect China or other Nations with aggressive export credit programs to dial back their efforts at all during this economic crisis?

Ms. REED. Senator, China is not transparent with what they do, so I am so glad that we have this new mandate to set up this Program on China and Transformational Exports. We are communicating directly with people in the countries where China is advancing its Belt and Road Initiative and China 2025 Initiative. And we are sounding the drum as loud as we can because we want the world to know they need to come to us, and we in our country and our workers need to stand a chance to be able to sell our great products to the world.

So because China is not transparent, this new program will help us deliver more information to you over the next months to come.

Senator BROWN. Thank you, and thanks for your focus on China. At Ex-Im we know how critical it is to America's response.

The Board will soon consider a transaction to assist aircraft engine exports that support some 11,000 jobs, including more than 1,100 jobs at GE Aviation and its partners across Indiana, North Carolina, and my State of Ohio. It is a good example of a major transaction that can continue to make American manufacturing competitive across the globe while helping thousands of small business suppliers. It is difficult to predict when or if the default rate will tick up toward the 2-percent cutoff threshold that Congress instituted, the 2-percent requirement to appease Ex-Im critics in 2015, despite the Bank's strong record of managing default risk. The damage of delayed financing would be bad for large companies and their small business suppliers. But would you succinctly explain what happens to small businesses if Ex-Im financing is cut-off?

Ms. REED. Senator, I had a great opportunity—and I was sorry to miss you—when I was out in Columbus, Ohio, last August at an event at Ohio State University's Business School, where I met with a lot of key constituents that focus on small business and success in Ohio. If Ex-Im—as you know, it was put into law if we hit a 2-percent default rate—and I am pleased to say we continue to maintain an under 0.5-percent default rate. But as you get into unprecedented times, if we hit that 2-percent cap, of course, we are going to consult with you, but it is pencils down. And just as we were faced when Ex-Im was on the brink of expiring, when pencils down happened for small businesses that are trying to export, especially at this time of COVID, they need us now. They need that export credit insurance. They need that working capital loan guarantee. They need these products, and we are doing all we can to help our small businesses. But this would be something that could be alleviated if the default cap were reviewed again.

Senator BROWN. Thank you, and some of us did not think that cap was necessary or necessarily even wise, but thank you. You again said it is under 0.5 percent. Please continue to update our Committee on your efforts to monitor and manage the Ex-Im portfolio.

My last question is about the Sasan power plant. I mentioned in my opening statement the tragic loss of life at that power plant in India. A dam holding fly ash from the coal-fired power plant burst. A flood of contaminated sludge traveled 3 miles resulting in six fatalities, including a couple children. These are not the first fatalities, as you know, at this plant. A 2015 report from Ex-Im's IG identified at least 19 worker fatalities in prior monitoring of this project. Understanding COVID-19 affects the ability of Ex-Im to learn more about what is happening on the ground at Sasan after the dam collapse and to ensure accountability for that, explain what more Ex-Im can be doing and should be doing when a project the Bank has financed has developed just an abhorrent safety record like that has.

Ms. REED. Absolutely, sir. As I took on this job a year ago, I inherited a portfolio, and this project that you speak about was one that the Board approved in 2010, and so I have reviewed news articles that others can review as to why that transaction came about.

And I note that Senators from the State of Wisconsin at the time showed their support for that deal, but that was the Board's vote back then, and we take life seriously. And so this particular project, even though we financed some equipment that went to it, we are responsible as Americans and as Ex-Im. And so there was a breach, and there was a loss of life, and this is unacceptable. This happened while COVID was happening; otherwise, I would have had our team and our consultants on the ground immediately. But we continue to communicate directly with people who are there in India, and we will go as soon as we can.

But we sat down with Friends of the Earth. I would be pleased to provide our response if you would like that we provided to them. We also hosted a call with them and the Sierra Club. We are doing all we can, and we take this very seriously, and I am so glad that after this deal was originally approved in 2010, the IG did a review of it, and from that we had heightened environmental and social standards and processes put in place at Ex-Im. And we have a great team, and they are on top of it. But any loss of life is distressing to me.

Senator BROWN. Thank you, Madam President.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Toomey.

Senator TOOMEY. Thank you very much, Mr. Chairman. Chairman Reed, thank you for joining us today. Thanks for stopping by my office earlier for our discussion. And I want to thank you for your sincere efforts to advance the cause of the reforms that you and I have discussed.

Several of my colleagues have asked the question, you know, what would happen if the Ex-Im Bank were not in business? What would happen to exports? What would happen to our economy? Of course, we have recent history to tell us exactly what happens. The Ex-Im Bank's total volume of loans hit a recent peak back in 2012, almost \$40 billion in loans and loan guarantees. And then for a variety of reasons, including the fact that we did not confirm a quorum on the Board, the volume of Ex-Im Bank financing dropped very, very precipitously to the point where in 2018 it was less than \$5 billion. So it was like a 90-percent reduction in Ex-Im financing.

So what happened to U.S. exports during this time when Ex-Im Bank financing was not available to U.S. exports, certainly not to large-ticket transactions? Well, the answer is U.S. exports continued to grow, and in 2018 hit an all-time record high, while our economy was on our way to strong growth, record low unemployment, and just doing remarkably well. So that is the control experiment that we have witnessed.

Nevertheless, Madam Chairman, I understand it is your responsibility to implement the law that was passed, the reauthorization bill, and that is what you are working on. Let me ask a couple questions about that.

My recollection is that in the reauthorization—and I think you have alluded to a specific requirement that the Ex-Im Bank counter and really compete with China in the subsidization of exports. That is what the Ex-Im Bank does. That is what the Chinese export agency does. And so knowing that, previously when the Ex-

Im Bank was fully operational, one of the biggest customers was, in fact, the Industrial Commercial Bank of China, getting guarantees to finance acquisitions for aircraft.

Given the new mandate with respect to China, is the Ex-Im Bank still doing business with the Industrial Commercial Bank of China?

Ms. REED. Thank you, sir, and thank you for our visit this morning. Currently in our portfolio we have very little when it comes to China on our portfolio, but I am very pleased that the new reauthorization law requires us to notify the State Department and Congress whenever we have any application that comes in involving China of \$25 million or more. And so a lot of scrutiny goes into every transaction, and it is a new day at Ex-Im. National security is economic security. I care about what we do. I also, as you mentioned, have to uphold the law, and that asks us to not pick winners and losers, judge every application based on reasonable assurance of repayment. So it is a very fine line, but I will assure you that I look forward to Congress' comments if we ever do get an application dealing with China that you will be notified of.

Senator TOOMEY. OK. Thanks.

A second question I have is in regard to the additionality guideline, as it is called. Additionality, of course, is the Ex-Im Bank phrase for not crowding out private sources of capital, as I understand it. And the guideline says that a borrower, in order to qualify, would have to demonstrate, among other things, that a foreign export credit agency is providing readily available financing to a competitor, and that commercial financing would not be available at rates and terms that make the U.S. export competitive. It does not say commercial financing is not available. It says it is not available at terms that would make the U.S. export competitive.

So, obviously, if a foreign export agency is subsidizing a foreign country's exports, then private commercial financing may not be competitive. How far do you go in matching the terms of another credit agency? How big a subsidy is too big if a foreign export agency is subsidizing a competitor?

Ms. REED. So we went through a very substantial public process over 11 months to address additionality and economic impact procedures, and I would like to note that this will go under further scrutiny by an outside reviewer in the years to come. So this was a very important first step to ensure that we supplement and not compete with private capital. We have, as you have mentioned, this new role when it comes to neutralizing China, and the language in the statute is pretty clear. We need—

Senator TOOMEY. Madam Chairman, I am asking more broadly, not just with respect to China. The question is: When do you decide that a foreign export agency is just providing too big a subsidy and we are simply not going to match the terms? It is not clear from these guidelines.

Ms. REED. Yes, so I would say that we will review every application based on the merit, and it is hard to predict until those actual case scenarios through actual transactions appear to us. Every action is based on reasonable assurance of repayment and assuring us that we are not crowding out. It is a more rigorous process now, and we will be posting summaries of our analyses online, and we

will also be reporting now for the first time our financings when it comes to additionality to the Congress on an annual basis. I look forward to further engagement with you on this.

Senator TOOMEY. Thanks, Madam Chairman.

Thank you, Chairman.

Chairman CRAPO. Thank you.

Senator REED.

Senator REED. Thank you very much, Mr. Chairman. And welcome, Chairman Reed. I must say that that term has a sort of ring to it. Maybe it is just me. But, anyway, welcome.

I want to join Senator Brown in suggesting that we absolutely have to fill out the Board of the Ex-Im Bank. This is a time of incredible crisis across the world, and having talented additional hands on board can only help you and help your colleagues. And I hope you would agree with that, Madam Chairman.

Ms. REED. Yes, we want to—

Senator REED. Well, thank you very much.

Ms. REED. —increase our portfolio to 30 percent small business, and that takes a lot of boots on the ground and a lot of work.

Senator REED. Well, you led me right to my next question, which is: Small business and veterans' business are a big part of the Rhode Island economy, and the efforts that the Ex-Im Bank has to extend to these smaller companies takes sometimes a little more work, a little more recruiting, a little more effort. And you are committed to doing that. Can you give us just an idea of how you are going to pursue that and what additional resources you may need?

Ms. REED. Absolutely. Well, right as we speak, sir, I am missing the Women's Veteran Alliance webinar that we are hosting at Ex-Im. So if I finish by 3 o'clock today, I will be able to join them. So I send my best wishes to them. But we have done a lot of unprecedented outreach through a variety of organizations that I know you know so well, including the National Veteran Business Development Council, National Veterans Small Business Coalition, et cetera.

I also have made it a specific focus of mine, and my fellow Board member, Spencer Bachus, is a veteran, and so he is spearheading this for us. So we are doing a lot of outreach, and last year we attended four veteran business-focused conferences and, of course, are doing the webinars and look forward to engagement. The Veterans Administration is directly across the street from us, and I look forward to doing even more, and even with you, sir. And you do have the best last name in the world.

Senator REED. Thank you very much. I agree, and congratulations to you also.

Let me turn, as my colleagues have turned to a degree, to China. You have been basically tasked with engaging with them in a significant way to disrupt what for many years was becoming a monopoly in terms of assistance to export-import operations around the globe. Have you been given a particular sector focus, for example, micro-electronics? How do you sort out from all the different companies where you are going to put your emphasis and your activity?

Ms. REED. Yes, so this reauthorization legislation identifies 10 specific sectors that we need to be focused on, including 5G, water

treatment and sanitation, biotechnology, biomedical sciences. So there are 10 very specific sectors that are innovative for our country, and so we are doing a lot of outreach just standing this program up, and we are doing that through strengthening America's competitiveness initiative. And so we have been hosting webinars. We have had hundreds of participants from all of these sectors to talk about what we need to be doing, what they are understanding about China, how we can be of help to them, and how we mesh that with our charge going forward. And I cannot wait until we get our very first application as the lender of last resort and where do we need to be helpful to support exports that do compete with and displace China in the world.

Senator REED. Let me ask a follow-up question. That is, this must be a governmentwide effort. You could do extraordinarily good work, but if you are not being coordinated, your efforts could be less than efficient.

Is there a coordinating mechanism within the Government to help you, to give you direction? Is it the State Department? Is it the Department of Commerce? Just quickly, because I have a few seconds.

Ms. REED. So I have recruited someone from the Pentagon to lead this program, and we are putting our outreach everywhere, because we were not authorized for 4 years, and this Administration has come on board, and thankfully we are now up and running. So it is doing a lot of outreach, and I would say the commercial service over at the Commerce Department, we have done a lot of outreach with them, with the State Department, and with others. There is engagement also on the national security front when you talk about something like 5G and how we actually help make a difference when it comes to Huawei. So lots of engagement, and more to be done.

Senator REED. Thank you, Chairman Reed.

Ms. REED. Thank you.

Chairman CRAPO. Thank you.

Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman. Chairman Reed, thank you very much for your service and for joining us today. Congratulations on your recent 1-year anniversary as Chairman. I do appreciate your dedication to Ex-Im after what was a very long and difficult confirmation process.

I would like to begin by asking about the landscape for export credit agencies throughout the globe. Part of the reason why I had an interest in seeing Ex-Im with a Board quorum was to make our manufacturers more competitive against companies and countries like Germany and China, whose Governments are very aggressive when it comes to promoting exports. Can you tell us how you have seen the landscape change for export credit during your tenure? And then how do you see the activity changing as we continue to work and work around the COVID-19 pandemic and what it has done right now with business activity throughout the globe?

Ms. REED. Absolutely. So as I mentioned in my opening statement, you will be receiving our annual *Competitiveness Report* at month's end, and I did a little preview of that. So this year, looking back at the year 2019, this year's report will indicate the volume

of all of the other ECAs. And so number one on the list is China, followed by Italy, Germany, India, United Kingdom, France, Korea, and then the United States. And how the landscape will change, obviously each country is handling the COVID crisis in their own way. President Trump has asked us and actually issued a memorandum ordering Ex-Im to be helpful to Italy, and I have engaged with Ambassador Eisenberg as well as the Italian ambassador to the United States to let them know that we are there for them at the President's direction in every way.

But as far as export credit agencies, we are there to be helpful to our U.S. workers and businesses to compete, so we have got a very robust program that we immediately stood up as soon as COVID-19 happened to provide more flexibility and provide those programs to help our country do what we can. So I look forward as we reopen Ex-Im to help us do all we can in every way to support workers and businesses in States across the country, including yours.

Senator ROUNDS. When you talk about making improvements for small businesses and our goal being to have perhaps 30 percent of the business be from small businesses, let us talk about, first of all, how we define that. We are not talking about 30 percent of the loans. We are talking about 30 percent of the volume. Correct?

Ms. REED. The statute indicates 30 percent of the dollar amount of authorizations, and so that is a really wonderful goal but very ambitious because we support businesses of all size. So you might be a mom-and-pop small business—and I have visited several of them now—where what you export is so important, but it is not a very expensive export. And then you are competing with others around the world who are doing the same. So we want to help them through working capital loan guarantees, our export credit insurance programs, and it is a lot of work to also bring in new startup businesses. How do I go from being focused on the United States to this wonderful global marketplace outside of our borders? And that takes a lot of work, so it might be a small-dollar amount that they need us to come in and fill the gap, but we are doing thousands and thousands of these small business transactions on a regular basis. I think it is 2,000 transactions that we have done with small business since our quorum was stood up. So dollar amount might be small, and we are going to work to do all we can to get that to the 30 percent.

Senator ROUNDS. One of the leading criticisms of Ex-Im—and I think it is very important we have Ex-Im because of that outreach to small businesses as well, and it does take a lot more work. And if your emphasis is on it, you are going to have your work cut out for you. But at the same time, one of the leading criticisms of Ex-Im is that the Bank competes against other institutions that would otherwise provide export credit to American companies operating abroad.

Have you found that to be the case in starting your position, particularly in light of the COVID-19 pandemic?

Ms. REED. No, sir. So I have done engagement with thousands of people now, every type of stakeholder possible in the United States and around the world, and I cannot tell you how relieved people are that we are back. And it is not just showing up and

turning on the switch after being shut for 4 years. It is doing it in a thoughtful way but also building the confidence when it comes to multinational companies, that they should not take their supply chains to other countries, which is what happened in some cases when we were shut. They need to bring them back—thank you for giving us the certainty of 7 years. Of those 115 export credit agencies, I venture to say that we are the only one that expires from time to time, and I am coming in with the support of Senator Toomey and others in doing reforms. We do not want to make it harder. We just want to be protecting the taxpayer and really showing our very specific limited role to help businesses succeed in our country and level the playing field for them. We want them to win, not other countries' workers to win.

Senator ROUNDS. Thank you.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. And welcome back to the Committee, President Reed, and let me just briefly echo Ranking Member Brown's comments and state that it is unacceptable that you should have to wait so long for a full Board, so I hope the Senate moves these forward soon.

Ex-Im's 2018 *Competitiveness Report* states that a significant number of foreign export credit agencies have changed their mission from leveling the playing field for their exporters to proactively seeking to create transactions for them and "advancing their strategic interests over the long term."

According to one survey respondent in your report, "Other ECAs are actively seeking exporters to move production to their country to fill the void Ex-Im Bank has left."

President Reed, have American exporters lost production opportunities to other countries who have adopted a more aggressive strategy?

Ms. REED. Yes, sir. We have heard definite reports of that, and I found one report in a news article that a lot of times companies are private about how they do their business. But I have definitely heard that we have lost several deals, many deals, millions of dollars of deals, while we were closed. And who really loses out when that happens, when a multinational company chooses to move their supply chain to a foreign country that provides export credit financing? Our own supply chains, our own small businesses who roll up their great small business products into these larger multinational computers. Those are who lose in our country.

So we are doing all we can, especially with this new mandate on China, to say, world, we are here, and we want to be exporting our great goods and services. And we welcome to review any application. We do not pick winners and losers. We have a set-out criteria based in law, and we want to be as flexible as we can.

Senator MENENDEZ. Let me ask you this. I appreciate that, but—welcoming people to apply, I appreciate that. But how are you responding to the shift, especially in times like these when we and most of our economic competitors are looking to strengthen supply chains and invigorate domestic manufacturing?

Ms. REED. We are getting—

Senator MENENDEZ. Do you need any additional authority from Congress to respond to this shift and ensure that Ex-Im is still able to advance its goal of supporting U.S. jobs and exports?

Ms. REED. So I am now actively working with my colleagues to stand up this very targeted, aggressive authority with our new Program on China and Transformational Exports. When you look at the list of those 10 targeted categories, including 5G and quantum computing, I believe that as we focus on that, that will be a good program for us to ensure that we are competing around the world the best we can. And what I mean by welcoming is we support—we do not pick winners and losers, but it is oftentimes raising awareness that we are back.

What we can do? I was so delighted to recently sign, for example, a memorandum of understanding with my good friend Chairman Rodney Hood of the National Credit Union Administration to help credit unions even know when you have one of their members go in to look for a small business loan and support, that Ex-Im's resources are there, millions of members, and that had really never been done before in a robust way. So there is lots of work to be done.

Senator MENENDEZ. Since you are talking about China, let me ask you, according to Ex-Im's 2018 *Competitiveness Report*, China extended \$39 billion in medium- and long-term export financing, hitting its highest point since 2014. In comparison, the U.S. extended \$0.3 billion, making it the third consecutive year that the U.S. provided one of the lowest volumes among the 28 countries with noteworthy levels of export credit.

Last year we discussed this issue, and you noted that some companies were setting up manufacturing plants outside of the United States so that they could be eligible for other countries' export financing. Have you seen any changes to that trend in the past year? What impact does having one of the lowest volumes of export credit in comparison to other countries have on U.S. exporters and Ex-Im's ability to stay competitive?

Ms. REED. We will be sending to Congress at the end of the month our annual *Competitiveness Report*, so you will see as a preview in this year's report China was at \$33.5 billion. In the United States last year, remember, we came online with our confirmation in May, and so last year we increased that amount of exports to \$5.3 billion. So we are number eight on the list for 2019. So working up, but it is restoring that confidence in people that Ex-Im is certain—it takes sometimes years to put together an application and go through the whole process. And when you are a company where you are beholden to your shareholders, you have got the world to choose from. And so I think that this new robust reauthorization will help us bring back more of the supply chain, and I have talked with some of those companies who have moved their operations to other countries, and I am pleased that they are focused again on the United States. So more to do, and I look forward to hopefully celebrating some job successes in New Jersey.

Senator MENENDEZ. Thank you. Well, we will look forward to following up with you.

Ms. REED. Thank you.

Chairman CRAPO. Thank you.

Senator Tester.

Senator TESTER. Thank you, Mr. Chairman. And I want to thank you for being here, Kimberly. I appreciate what you are doing.

I am going to explain a situation to you, and you tell me what we can do to fix it. Right now, if I were to ship some agricultural products to a foreign importer, the title needs to first go to a foreign bank. The title is then held until an importer formally receives it and pays for the shipment. But here is the issue: If an importer decides they do not want it, there is no legal obligation for them to pick up the title, and in a time of extreme market volatility, this is not uncommon.

Now, Export-Import offers insurance for exporters so they have a safety net if something goes wrong. However, this insurance does not extend to cases where the title is left at the bank and the importer never receives the shipment. So the shipment is abandoned in a foreign port. The exporter has no access to the title or the shipment.

First of all, are you aware of this situation? Is there anything Ex-Im has in its policies to cover this kind of situation?

Ms. REED. Sir, I apologize, but I am having a really hard time hearing you. I am happy to answer that in writing or have our staff talk with you. But I did hear you say the word "agriculture," so—

Senator TESTER. Yeah, so let me back up just a second. I should have hollered louder. I am sorry. But I send agricultural products; the title goes to a bank. If the importer decides they do not want it, there is no obligation to pick the title up. The insurance for exporters does not work when a title is left at a foreign bank, and the importer never receives the shipment. The exporter never gets paid. And it happens with some regularity.

Do you know of this situation? Is there anything Ex-Im can do about it? Or is it something Congress needs to take up? Or are we just hosed?

Ms. REED. So I would say I have not heard the specific instances that you are referring to, but our export credit insurance program, that is exactly why it exists. We provide that—

Senator TESTER. Yeah, but it does not work if they do not pick up the title. It just does not apply.

Ms. REED. Sir, I would be happy to follow up with you on this. Very committed to agriculture.

Senator TESTER. Thank you very much.

So you talked a little bit about this with Senator Rounds, but, number one, do you think your outreach to rural businesses is adequate, particularly agricultural businesses? And if it is, could you give me an idea—you have not been in this position all that long, but how much of your time is spent on rural outreach versus the big guys?

Ms. REED. Absolutely. Well, sir, I remember your question to me last year that kind of got at this issue. I am from rural West Virginia to your home State, very committed to rural America. It is a chief initiative. You quizzed me last year about our regional offices, so I want you to know I took a strong stand, and we are back-filling all of the positions and fully reopening all of our 12 regional offices. And then, of course, doing the outreach the best we can, 65 webinars in the past 3 months alone, 160 email blasts. And if you

would go to our website, I put the hyperlink in my written testimony, but we have done a new video that I welcome you to share with your constituents, because we want to be helpful. We are doing all we can to do small business leads as well.

After averaging 500 a month immediately before COVID, I will say it hit a high of 1,387 in May, and we are on track to pass that in June. So I want to do even more.

Senator TESTER. Thank you. Do you like your job? You appear to.

Ms. REED. What did he say?

Senator TESTER. Do you like your job?

Ms. REED. I love my job. This is the best job I have ever had, but it is so important and a lot of hard work.

Senator TESTER. It shows. It shows, OK? So the question is: As you look at this agency that you have been running for the last—not all that long, what tools do you not have that you need?

Ms. REED. So we are transforming, sir, because of COVID—and we are fully teleworking from home, 515 of us. I am so proud of everyone. We will see how the workplace transforms as we get further into the response on COVID. But I would say that I am so proud that we have a COVID task force leading and advising us all along the way.

The one thing is our new Program on China and Transformational Exports. So in that December 20th legislation, we were asked to do a deep dive, focus 20 percent of our portfolio to neutralize China and advance America's comparative leadership around the world. So that is one of the most significant programs we have ever been asked to do, I would say, in the 86-year history of the Bank, and our budget came out before that program was mandated by law. And so I look forward to further discussions on what resources we may need to fully optimize that to fulfill the mandate that you set for us to fulfill.

Senator TESTER. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator Cramer.

Senator CRAMER. Thank you, Mr. Chairman. Thank you, Chairman Reed, for attending and for the good work you are doing. I am sorry that we have not been able to do more things through this timeframe. However, the year is not over, and lots of good things are happening.

I am going to follow up on both Senator Tester and Senator Rounds. There is no need for you to answer again what you have been doing to reach out to small and rural businesses, but I will just throw in an invitation, since Senator Rounds and Senator Tester and I all live in the same neighborhood. Perhaps it is an opportunity when the weather becomes unbearable in Washington, D.C., for existence, you could make a trip to the Midwest and the West and come and meet some of the—both the Bank's current borrowers that are small rural manufacturers and neighbor businesses as well as use it as an opportunity to solicit and invite and maybe inspire some more. So I would just throw that invitation out. We would love to host you in our part of the world.

Ms. REED. Sir, may I comment?

Senator CRAMER. Please.

Ms. REED. So I was a nominee for this position for 2½ years, had two Senate confirmation hearings, and after one of the confirmation hearings, the first one, I immediately walked over to Union Station and got on a train and went cross-country. My experience was great, and I had the pleasure—I have never set foot in North Dakota. Does going past the State on a train count? So I cannot wait to come. I know that you invited me. I saw the sun rise, and I cannot wait to come and do a field hearing or roundtables with you. You kindly invited me, and we were getting ready to do that just as COVID struck us. So as soon as we can get on a train or a plane or I can drive, I am ready to do that with you.

Senator CRAMER. Well, just so you know, once you get to North Dakota, it is a long ways across North Dakota and South Dakota and Montana before you get to Senator Tester, but it is worth the drive or the train ride or the airplane ride. I would just tell you that as we head now into late summer, even with COVID-19, it might not be a bad time to do it in a responsible way.

So, with that, Mr. Chairman, I yield the rest of my time and just say I am grateful for your good work, Chairman Reed.

Chairman CRAPO. Thank you, Senator Cramer.

Senator VAN HOLLEN. Thank you, Mr. Chairman, Ranking Member Brown. And, President Reed, welcome. Thank you for your service.

I listened as you said that Ex-Im Bank ensures that its investments are consistent with U.S. national security goals. That is the right thing to do. One of those goals, of course, is to prevent the proliferation of nuclear weapons. And I wanted to ask you if you were aware of the provision in the 2020 appropriations bills that prohibits Ex-Im Bank from extending any financing or benefits to nuclear technology projects in Saudi Arabia unless they meet certain stringent nonproliferation conditions. Are you aware of that language?

Ms. REED. Yes, sir.

Senator VAN HOLLEN. And have you had any discussions, conversations, regarding the exports of nuclear technology to Saudi Arabia since you were confirmed?

Ms. REED. So Ex-Im is not involved in negotiations of 123 agreements, and I would say that any pending applications are under review, and totally focused on what you are saying, and we want to be fulfilling all legal requirements, including the legislation in our appropriations language.

Senator VAN HOLLEN. Are there any such pending applications under review currently at the Ex-Im?

Ms. REED. So we get many applications at any time, and I am going to look to my counsel.

Senator VAN HOLLEN. I am just asking if there are any regarding nuclear technologies to Saudi Arabia.

Ms. REED. We have one application, but it is not active.

Senator VAN HOLLEN. OK. Again, I just want to provide that admonition regarding the current appropriations bill, and, you know, I think you can expect to see that extended.

Let me ask you about your efforts in the area of renewable energy. I believe that was one of the 10 categories in the Program on

China and Transformational Exports. I appreciate the fact that you held a teleconference meeting on renewable energy recently, but can you give us the breakdown on the financing of renewable energy projects versus fossil projects since you got the quorum?

Ms. REED. Sir, I would be pleased to give you that breakdown with specificity. I do not have all the transaction numbers of our deals that have taken place over the past year with me, but I would say that we are very, very focused on renewable energy, and I have tasked Director Judith Pryor with leading that effort and look forward to doing even more deals that we can.

Senator VAN HOLLEN. OK. If you could get us that information and breakdown as soon as possible, that would be great.

Ms. REED. Thank you.

Senator VAN HOLLEN. Now, one of the other changes that Congress has made recently in some of our efforts to finance and support U.S. businesses overseas, making investments overseas, was the change from OPIC to the Development Finance Corporation, providing the Development Finance Corporation with additional authorities. This was a bipartisan congressional initiative.

Can you talk about whether and how Ex-Im is collaborating with the Development Finance Corporation?

Ms. REED. So Adam Boehler, the head of DFC, a wonderful colleague, and since we have both been confirmed, our agencies are aligning. We are complementary tools in the trade toolbox, and so we provide that financing. But our focus is supporting U.S. jobs. That is what we are required to do under law, and that is a great mission, and DFC has their role as well as being a development finance agency. And I will say Judith Pryor, because she previously worked at OPIC, now DFC, brings a lot of insight as well. But we want to be a whole-of-Government approach to help our U.S. businesses win and succeed, and each of us have our role to play.

Senator VAN HOLLEN. Right. I just want to make sure that you are all rowing in the same direction and not working at cross-purposes. As you well know, and you have talked about it, we provided this mandate to Ex-Im Bank with respect to making sure our companies can compete with very aggressive Chinese financing, and one of the goals of the Development Finance Corporation is also to make sure that the United States does not fall behind in certain parts of the world with respect to the Belt and Road Initiative.

So I am hoping if you can just provide for the record some examples of how you are collaborating, because these are two taxpayer-funded U.S. agencies, and you do have slightly different missions, but I think they are consistent. And it would be helpful to know the extent to which you are collaborating.

Ms. REED. Absolutely, and look forward to standing up our China Program in great ways to deliver victories for our American businesses. Thank you.

Senator VAN HOLLEN. Thank you.

Chairman CRAPO. Thank you.

Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you, Mr. Chairman. Chairman Reed, welcome. It is good to hear and see you again. Thank you so much for joining us again. We really appreciate it.

Let me start off by talking a little bit about Nevada. The Export-Import Bank has helped 24 companies in Nevada like Dynamic Gasket and Seal, Geothermal, Development Associates, and Fameco Group. They have exported \$70 million worth of products to countries like Mexico, Turkey, and India. And of those 24 Nevada companies, 17 are small businesses. So I want to ask you some questions around our small businesses in Nevada and across the country.

Before I get to that, I do want to stress I also am interested in whatever data and information that you provide to Senator Van Hollen around the financing for renewable energy. I would be interested in seeing that as well.

But let me start with last year, after you testified, I asked for an update on how you were going to promote the Ex-Im Bank products to Native American businesses, and I know that you worked with the American Indian Procurement Technical Assistance Center, and you participated in events like the Reservation Economic Summit and the Navajo Nation Economic Summit. I am curious. What has been the impact? How many Native American-owned businesses have participated since you became the Chairman?

Ms. REED. Absolutely. I am very committed to supporting Native American communities, and that is a big charge as we look at increasing our U.S. small business number to 30 percent. And as you mentioned, we have been in regular touch with the National Center for American Indian Enterprise Development, the American Indian Chamber, and the Native American Development Corporation.

In my prior Federal Government service, I headed the Community Development Financial Institutions Fund where I also spent a lot of time in Indian country and worked really hard through our Native American awards. And so I was so pleased when we were able to participate in the Reservation Economic Summit in Las Vegas this past March.

So we have very targeted outreach that is going on. Currently Ex-Im requests that businesses self-identify whether they are minority- or women-owned. However, I am directing our agency to revise our export credit insurance applications because I have been frustrated by this lack of data as well. It is one of my reforms. How can we get better information to allow business owners to voluntarily identify themselves? And so that will enable us to do an even better outreach and engagement strategy.

In addition, we are engaging with the Department of Commerce's Minority Business Development Agency to facilitate greater information sharing and support.

So I look forward to working with you, and I am happy to do more outreach in Nevada and beyond over the months to come.

Senator CORTEZ MASTO. Thank you, and I welcome you to Nevada as well when we have the opportunity to no longer shelter in place and safely travel again.

Let me ask you this: The focus for me and working with a lot of the chambers in my State is not just our women- and minority-owned, Native-owned businesses, but veteran-owned businesses as well. So whatever metrics and whatever outreach you are doing to make sure that financing is available for our veteran-owned busi-

ness and working within our underserved communities, I am interested in that space as well. So I appreciate that.

Let me ask you, you touched a little bit earlier with one of my colleagues—you made the announcement a few weeks ago that the Ex-Im Bank and the National Credit Union Administration announced its collaborative to promote the export financing products among federally insured credit unions and their clients. Can you talk a little bit about the impact of this initiative and what has happened so far and your goals?

Ms. REED. So I am very excited. When I was at the Community Development Financial Institutions Fund, I worked regularly with credit unions. So when I showed up as head of Ex-Im, I said we really need to have our credit unions engaged. They are key to so many of our small businesses. So this MOU signing happened 2 weeks ago with Chairman Rodney Hood as the start of a 3-year educational campaign. I have also engaged with folks like Dan Berger and Jim Nussle at the various trade associations to ensure their members know that Ex-Im exists and its millions of customers and members who could be using our products if they need them. It is very daunting for a small exporter—and I am sure you have met some of them—to say, “I want to be focused on succeeding outside of our borders.” And we need that first place of business, such as a small bank, a small community bank, or a credit union, where a business owner will go in to say, “How do I export? And how can I get the support to do this?” We need not only for them to provide services, but if Ex-Im can be a tool helpful to them such as through our export credit insurance product or our working capital loan guarantee, that they share that with them.

So I look forward to just launching this, and perhaps that is something that we can do together, if I am able to join you in Nevada or at a larger event.

Senator CORTEZ MASTO. Chairman Reed, thank you.

Ms. REED. Thank you.

Chairman CRAPO. Thank you.

Senator SINEMA.

Senator SINEMA. Thank you, Mr. Chairman. And thank you to Chairwoman Reed for being here today. It is good to see you again.

I am so proud to have worked across the aisle with Senator Cramer, my Republican colleague from North Dakota, to successfully deliver a 7-year reauthorization of the Export-Import Bank. It helps finance billions in Arizona exports and create thousands of jobs in my State.

I am also very grateful to Chairman Crapo and Ranking Member Brown for their leadership on this vital issue.

I know you need a full team over at the Ex-Im Bank, which is why the Senate should consider the nominations of Paul Shmotolokha and Claudia Slacik to the Ex-Im Board. They are qualified nominees, and they should be considered sooner rather than later. The Ex-Im Bank is too critical to Arizona’s economy to be left without a full team.

Chairwoman Reed, I want to thank you for joining me in Arizona last summer when we visited Copper State Bolt and Nut, a second-generation, family owned, women-owned Arizona business that manufactures construction products and industrial supplies. When

it is safe to do so, I hope to be able to host you again in Arizona for another visit with other innovative Arizona exporters who make us globally competitive and close our trade deficit.

So my first question for you, Chairman Reed, is: As you know, especially during this recession, smaller exporters need the certainty that the Ex-Im Bank provides. How has Ex-Im stepped up and adapted small business outreach during the coronavirus?

Ms. REED. Thank you, Senator Sinema, and it was so nice to join you in Arizona. It was a very meaningful time to sit down with the Arizona Chamber, and since that time, I actually did another webinar with the Phoenix Chamber to help them know about our new mandate, and I really appreciate your and Senator Cramer's and this full Committee's leadership on that reauthorization.

When it comes to small business, that is something that drives me every day. And over the past 3 months alone, since COVID has happened, we have done 65 webinars, 160 email blasts; we created a special video message on our website, and if you look at my written testimony, I purposely embedded the hyperlink there so that each of you could share that with your constituencies. And we are seeing a significant increase in small business leads because of this engagement, more than 1,300 in May, and we know that that is going to happen more in June.

So it is a lot of boots on the ground. We have re-staffed our field offices across the country, lots of engagement, and during this time it is through the Internet and webinars, but look forward to, through initiatives, through our multipliers, getting out there such as through the credit unions that I just discussed with Senator Cortez Masto, but looking forward to doing even more.

Senator SINEMA. Thank you.

As you know, in May the Ex-Im Bank's Board adopted additional measures to provide transparency and accountability to the process. One of the key reforms was to provide—or to make the process of determining additionality more detailed and more transparent, with the goal of ensuring that the Bank is creating new value instead of supplanting private sector investment.

So my interest here is ensuring the reforms make the Ex-Im Bank more transparent and precise in its actions without imposing undue burden on U.S. exporters.

So, Chairwoman Reed, can you report briefly on the progress of these reforms? And do you feel that you have struck this important balance?

Ms. REED. Absolutely, Senator. I had a very lengthy discussion this morning with Senator Toomey in his office on the actions that you mentioned there, and in my testimony you will see, when it comes to economic impact and additionality, we went through a very lengthy 11-month process, transparent process, held two Ex-Im Advisory Board meetings, open to the public, invited in diverse views, because everyone has a stake in ensuring that we protect the taxpayer but we do not want to unduly burden our businesses; but we also want to ensure that we are not crowding out the private marketplace and not doing harm to other businesses.

So this was a very thorough, thoughtful process. Even other Government agencies commented on our processes. So what you see

that we did just a few weeks ago, in May our Board unanimously approved these measures.

I am doing a lot under all six reforms, but I know, again, we do not want to overburden our small businesses with more red tape. We want to fulfill our legal duty, and we want to uphold the law, and it is striking that right balance.

Senator SINEMA. Well, thank you. I see that my time is rapidly expiring, so I will go very quickly. My last question concerns credit risk transfers and the ongoing reinsurance pilot program at Ex-Im. I want to ensure the Ex-Im Bank can serve as many small businesses as possible and reduce risk to taxpayers. Did you find the ability to transfer credit risk via the reinsurance pilot program useful in accomplishing both of these goals?

Ms. REED. Yes, Senator, it was a very successful pilot program that we did, which was in our last reauthorization, and we will be expanding that in a further way in the near term. It was a good first step, and, of course, we want to do all we can to protect the taxpayer and so stay tuned for more details on this effort.

Senator SINEMA. Thank you.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Sinema.

That concludes our questioning. Senator Brown has asked to make a statement, and then we will conclude the hearing. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. A brief statement. Thanks for your indulgence.

President Reed, you and your fellow Board members—and you remember this well, of course—were first nominated in October 2017 but were not confirmed until May 2019. You talked about your cross-country train trip. Claudia Slacik, as you also know, has waited nearly—she is the Democrat and has waited nearly 4 years. Paul Shmotolokha, the Republican nominee, has waited more than a year. I have never heard—and I assume you have not either—any criticism of their fitness to serve.

On a personal level, I know how anxious you were—we talked about it personally, and it was obvious how anxious you were to begin your work to help Ex-Im and its customers. Thank you for putting your life on hold for a year-and-a-half while waiting for the Senate to act.

Mr. Chairman, as President Reed said earlier, we need a full Board—she used the term “with more boots on the ground”—reaching out to small businesses to help them use Ex-Im. We have great nominees. They should not be delayed any further.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Brown. And as you know, I agree with you that we need to fill the entire Board, and I would like to see us move as quickly as we can on these nominees. There is a significant amount of obstruction on the floor of the Senate these days, but I will continue to push for these nominees to be moved forward.

With that, the hearing is concluded. For Senators who wish to submit questions for the record, those questions are due Tuesday, June 30th, and I ask that, Chairman Reed, you respond to those

questions as quickly as possible. Again, I thank you for joining the Committee today.

The hearing is adjourned.

Ms. REED. Thank you.

[Whereupon, at 3:50 p.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN MIKE CRAPO

Welcome to our witness, the Honorable Kimberly Reed, President and Chairman of the Board of the Export-Import Bank of the United States.

We welcome you back, Chairman Reed. It has been almost exactly a year since your last appearance before this Committee.

Today, we will receive testimony on Ex-Im's recent activities and operations, including your efforts to implement the 7-year reauthorization legislation we enacted last December, as well as your efforts to continue to process through the transactions and other matters in the pipeline at Ex-Im, and to increase your outreach and efforts to bring new U.S. export opportunities into the pipeline.

In addition, we know the disruption of COVID-19 on the U.S. economy has had an impact on U.S. exporters as well, and we will be interested to hear of any efforts and initiatives you are undertaking to address these challenges.

Chairman Reed, you have been on the job for a little over a year now.

When you came before us for your nomination hearing, and when you met individually with me and with my colleagues on both sides of the aisle, you made a commitment that, if confirmed, you would move forward on implementing any outstanding congressionally initiated reforms, as well as bring your own commitment to greater transparency and accountability for the Ex-Im bank.

As I have since noted in other Ex-Im-related hearings in this Committee, your efforts to follow through on your commitment to transparency, accountability, and reform have not gone unnoticed by me and by my colleagues on this Committee.

I commend you for those efforts and encourage you to continue them.

In December 2019, this Congress enacted a 7-year reauthorization of the Ex-Im Bank, the longest authorization period in the Bank's history.

This extension provides much-needed certainty for U.S. exporters and strengthens an important tool for the U.S. to compete directly with China and others in the global marketplace.

Included in the legislation is a new initiative, focusing on China and transformational exports, which will reserve a significant portion of Ex-Im's exposure authority for transactions that will put U.S. exporters in direct competition with China.

This program will particularly focus on U.S. exports of innovative technologies, like semiconductor manufacturing, artificial intelligence, biotechnology, wireless communications, renewable energy, and energy efficiency and storage, as well as emerging financial technologies.

The new law also includes a requirement that, in addition to its existing notification obligations to Congress, Ex-Im shall consult with the State Department as part of efforts to assess any risk to the national interest for any proposed transaction above \$25 million involving any business entity that is controlled by the Chinese Government.

Our reauthorization legislation also had an important focus on increasing the participation of American small businesses in Ex-Im projects, by raising the target from 25 percent to 30 percent for small business participation in Ex-Im-supported exports.

Chairman Reed, we look forward to any update you can provide on Ex-Im's implementation of these important initiatives, and all provisions included in the December reauthorization.

We have discussed in previous Committee hearings, you and your board colleagues faced a number of pending transactions and other matters to address upon taking office.

Now that you all have had some time at Ex-Im, we would like to hear an update on those efforts to address those transactions and matters that had already been in the pipeline, as well as your outreach efforts to bring new American businesses and export and job creation opportunities into the pipeline.

Finally, with regard to the COVID-19 global pandemic, we know business and Government operations all over the world have been impacted.

For an agency such as Ex-Im, with such a global scope to its mission and operations, we would be interested to hear about the challenges that you and your team have faced, as well as those faced by the American businesses and other stakeholders you work with on a daily basis as part of your mission.

And we would ask you to share with us any initiatives Ex-Im has commenced to assist U.S. exporters in dealing with the challenges of COVID, while remaining competitive, creating jobs, and growing our economy.

Chairman Reed, thank you again for your considerable efforts, and I look forward to our continued work together on these important efforts.

PREPARED STATEMENT OF SENATOR SHERROD BROWN

Mr. Chairman, thank you for calling today's hearing. President Reed, thank you for joining us. This is a critical time for Ex-Im.

Last year we finally provided certainty to American exporters and their workers by enacting a 7-year extension of the Ex-Im charter. This is a big victory after years of obstruction by some of my Republican colleagues.

We all know what happened here in Congress. In 2015, during the last debate on reauthorizing the Bank, a small group of opponents, supported by far-right special interests, tried to kill the Bank altogether.

When that didn't work, they decided to block all nominees to the Bank's board denying it the quorum needed to approve transactions greater than \$10 million dollars. Ex-Im supported more than 164,000 jobs before the shut it down, and Ex-Im was an essential tool for creating manufacturing jobs with good salaries. Their obstruction cost us more than 130,000 jobs a year by 2018.

Today, as the economic damage from COVID-19 builds and Mitch McConnell refuses to let us do our jobs and pass additional help for families and communities and small businesses, Ex-Im will be called on to help ensure the survival of our manufacturing base, and its thousands of small businesses and their workers.

Ex-Im during the last crisis added 515 new, small-business clients in 2009 alone, the stakes are even higher today.

There are more than 100 export credit agencies and credit programs around the world that support foreign manufacturers, but the greatest challenge is China.

China's export finance activity is larger than all of the export credit provided by the G7 countries combined, and we can expect China to continue using export credit as a weapon to win manufacturing business in critical industrial sectors.

The President and many of my Republican colleagues want to blame China for everything, including the virus that has taken the lives of nearly 120,000 of our brothers and sisters and parents and sons and daughters—that's 30 percent of the world's deaths. China has not been a model of responsibility, but President Trump needs to stop blaming China for his own failures to do more at home to prevent the spread of COVID-19.

For my Republican colleagues who profess concern about China, I wish they had shown the same concern with standing up to China during our 4-year fight to support American manufacturers.

And if you say you are concerned about China, then you should support filling Ex-Im's board so our manufacturers can better compete with China.

President Reed, I look forward to hearing how Ex-Im is working both to assist American companies during this crisis, and to help them respond to China's efforts to use export financing to gain market share. The Bank has an important role to play during this crisis.

Sadly, we must also discuss Ex-Im's response to a tragic incident in April at a power plant in India. The Sasan power plant received significant financing from the Bank, and it has a terrible safety record.

Finally, we must talk about the Senate's unfinished work. I urge Members of this Committee to ask Leader McConnell to allow the Senate to consider the long-delayed nominations of Paul Shmotolokha and Claudia Slacik.

If we believe Ex-Im should be helping U.S. small businesses during these difficult economic times, and helping manufacturers compete against State-backed Chinese companies, there is no excuse for delaying the confirmation of Shmotolokha and Slacik. It needs a full Board of Directors.

A core role of Ex-Im board members is educating the business community about how to use the Bank's export financing to expand sales abroad and create more jobs in the U.S. Many small businesses are just trying to survive right now, and some of them don't know that Ex-Im is a tool that can help. We need a full board that can be proactive about offering support.

Mr. Shmotolokha, the Republican nominee as First Vice President, was reported out of the Banking Committee more than a year ago, and Ms. Slacik was first nominated nearly 4 years ago. Neither is controversial.

Mr. Shmotolokha has deep experience in the telecom industry and decades of experience in international business. Ms. Slacik previously served at Ex-Im and has more than 30 years of commercial banking experience.

I think Ex-Im has an effective management team. Thank you for that Ms. Reed—but you should be able to operate at full capacity during an unprecedented crisis, not missing two members with critical expertise.

We have two nominees who can provide important expertise at a critical time when we must help American businesses compete against China. Yet somehow these noncontroversial nominees are mysteriously blocked.

We also have a qualified Inspector General nominee, Peter Coniglio, who is waiting for confirmation.

Congress must take up these nominations immediately.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF KIMBERLY REED

PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS, EXPORT-IMPORT BANK OF THE UNITED STATES

JUNE 23, 2020

Chairman Crapo, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to appear before you today to report on the progress we have made in reopening and reforming the Export-Import Bank of the United States (Ex-Im), as well as on the implementation of Ex-Im's December 2019 Congressional reauthorization.

The past several months have been a challenging time for our Nation and the world because of the COVID-19 (coronavirus) pandemic. I hope that you, your staff, and all your loved ones are staying safe and healthy as we work together to reopen our Nation safely and responsibly. On behalf of my colleagues—515 Federal employees and contractors—at Ex-Im, I want to offer heartfelt thanks to our Nation's health care professionals—doctors, nurses and others—as well as the many essential workers in other fields on whom millions of Americans continue to depend during this unprecedented crisis. They have heroically placed their health and even their lives at risk, and they are a daily inspiration to me.

Ex-Im, the official export credit agency (ECA) of the United States, has the important mission of supporting American jobs by facilitating U.S. exports. Our vision is “Keeping America Strong: Empowering U.S. Businesses and Workers to Compete Globally.” As the President and Chairman of the Board of Directors of Ex-Im, I am proud to lead a team of talented professionals who, even before this health crisis unfolded, were working hard to expand the export of “Made in the USA” products and services to the world and, in so doing, support tens of thousands of jobs here at home.

It has been nearly 1 year since I last had the honor of appearing before this Committee. At that hearing, I shared with you my priorities that I also conveyed to my colleagues on my first day of work at Ex-Im: Being committed to fully reopening, reforming, and reauthorizing Ex-Im, thereby providing positive results for America's workers and businesses, while protecting America's taxpayers. I want to thank the Members of this Committee for your support and engagement as we have worked hard to deliver on these commitments over the past year.

We achieved a major success for our Nation's businesses and workers when Congress passed, and President Trump signed into law on December 20, 2019, a historic 7-year reauthorization of Ex-Im—the longest in Ex-Im's 86-year history. I am grateful for the strong support of the President, our bipartisan leaders in Congress—including Members of this Committee, Ex-Im's dedicated workforce, my fellow Ex-Im Board Members Spencer Bachus and Judith Pryor, and ex officio Board Members Secretary of Commerce Wilbur Ross and U.S. Trade Representative Ambassador Robert Lighthizer in achieving this historic effort.

Ex-Im's reauthorization provides long-term certainty to American businesses that need Ex-Im's help to compete and win in the ever-fiercer global marketplace. Over the past 6 months, we have been very focused on implementing this legislation while also taking swift and prudent actions to support U.S. jobs in response to COVID-19. We are pleased to continue working with you as we move forward.

Reopening Ex-Im: Supporting American Jobs by Facilitating U.S. Exports

On May 8, 2019, the United States Senate voted on an overwhelming, bipartisan basis to confirm my fellow Board Members and me. The Senate's action restored a quorum on Ex-Im's Board of Directors and enabled the agency to return to full functionality.

Ex-Im's major financing solutions to support American exports and jobs include providing support for the purchase of U.S. exports through loan guarantees and direct loans, insuring U.S. exporters from the risk of nonpayment by foreign buyers, and extending working capital loan guarantees to enable American businesses to fill export orders.

Ex-Im offers financing at rates and on terms that are competitive with Government-backed export financing available from other countries. The goal of Ex-Im financing is to ensure U.S. exporters and workers can compete on the quality and price of their goods and services—and not lose business to foreign competitors due to foreign Government-backed export financing.

With Ex-Im back in full operation, we have been very focused on communicating to all of our stakeholders—including exporters and potential exporters especially in the small business community, private sector lenders whose loans Ex-Im can guarantee, and prospective foreign buyers—that the agency is now able to offer all of its financing options to support U.S. exports.

Last year, when I testified before this Committee, I committed to you that Ex-Im would work through its financing applications in a prudent and thoughtful way that fulfills our obligation to protect the interests of U.S. taxpayers and complies with relevant statutory requirements. We have done exactly that.

In Fiscal Year (FY) 2019, Ex-Im authorized a total of \$8.2 billion in financing that is estimated to support 34,000 U.S. jobs, more than double its financing in the previous fiscal year. While the numbers are still preliminary, I am pleased to report that, in FY2020, Ex-Im has authorized \$1.7 billion in financing that is estimated to support 10,900 U.S. jobs and there are additional transactions in various stages of review that Ex-Im staff expect to present to the Board for consideration and potential final approval this fiscal year.

Alongside these authorizations, over the past year, Ex-Im's Board also approved four preliminary commitments totaling \$1.1 billion in financing. A preliminary commitment, which is a nonbinding offer of Ex-Im financing subject to the award of the export contract and Board approval of an application for a final commitment, sends a strong signal to potential foreign buyers that the agency has conducted significant due diligence of the proposed transaction. It also indicates the likelihood of providing financing upon receipt of an application for a final commitment that meets all of Ex-Im's requirements and the Board's review and approval.

Ex-Im has also seen significant demand for Letters of Interest, which are a preexport tool to help U.S. exporters compete during the bidding or negotiating of an export sale. This increase is an indication of heightened interest by exporters for Ex-Im financing.

Today, we have more than \$39 billion in Board-level transactions that are undergoing various stages of due diligence and underwriting and are estimated to support 147,000 U.S. jobs. Additionally, we are in preapplication stage conversations with many companies that are exploring what Ex-Im potentially can do for them. This period of conversation can go on for varying amounts of time as companies assess the unique Ex-Im value proposition.

Once a Board-level application is filed, which is a serious commitment of time and resources by the company and its lender, Ex-Im takes on a thorough analysis of the application to ensure that the transaction meets all applicable statutory and agency requirements. That means carefully reviewing the background of the parties to a transaction; the cash-flow, debt burden, and financial stability of those parties; the source of the downpayment; the quality of the collateral; and the limitations on the use of the requested financing. Based on those reviews, Ex-Im considers what additional risk mitigants may be necessary to enhance the quality of the credit and to better protect the U.S. Government from the risk of default.

At the same time, Ex-Im considers how the Board-level transaction supplements—but does not compete with—private capital. This includes a review of why the parties to a transaction are seeking Ex-Im financing, what limitations exist in the availability or terms of private capital, and the availability and terms of competing financing offered by a foreign ECA. All transactions are processed in accordance with Ex-Im policies and applicable law, such as those on U.S. content, U.S. flag shipping requirements, and economic and environmental impacts. All of this is then carefully documented as part of Ex-Im's legal review of the transaction. This preserves Ex-Im's legal rights, ensures Ex-Im is not creating distortions in capital markets, and protects the U.S. Government from the risk of default.

This process is highly variable and heavily influenced by the complexity of transactions, as well as legal and commercial considerations that are outside of Ex-Im's control. Some of these Board-level transactions may go from application to approval in months, while others may take several years. Furthermore, some transactions may not come to fruition for a variety of reasons. A Board-level transaction may be withdrawn (and thus removed from the pipeline) due to the availability of another source of financing; the buyer may alter sourcing needs; or the parties may be unable to reach agreement on a final transaction.

As Chairman, I am committed to educating exporters, lenders, buyers, diverse stakeholders, and multiplier networks on the opportunities available to them through Ex-Im financing. At the same time, Ex-Im staff, my Board colleagues, and I are doing what we can to help build the pipeline through increased outreach.

We are strengthening our relationship with key interagency partners, including the U.S. Trade and Development Agency, U.S. Department of State, USAID, U.S. International Development Finance Corporation, and the U.S. Department of Com-

merce, including its Foreign Commercial Service. For example, in recent months, Ex-Im staff participated in numerous engagements in coordination with the Commercial Service, including presentations in Italy, the Gulf States, and Southeast Asia. Together, we are solidifying this enhanced cooperative relationship through an interactive outreach and training series.

My fellow Board Members and I also have tremendously valued the opportunity to visit many of your States and look forward to resuming this engagement in the near future. In the meantime, Ex-Im's outreach continues virtually, reaching thousands of stakeholders both in the United States and around the world.

While the results of these and other efforts will not be immediate, they help position U.S. exporters to better compete in markets around the world and will help support U.S. jobs for years to come.

When Ex-Im is fully operational, it is a self-financing agency due to the fees and interest it charges to foreign buyers for the use of its programs. After paying all of its operating and program costs, Ex-Im has contributed a net of \$9.4 billion to the U.S. Treasury since 1992. When it comes to protecting the taxpayer, Ex-Im has averaged a default rate of less than one-half of 1 percent over the past decade as a result of the strong underwriting and due diligence exercised during the authorization process and postauthorization management of transactions. Ex-Im's most recent quarterly default rate, as of March 31, 2020, is 0.473 percent.

Reforming Ex-Im: Transforming the United States' Official Export Credit Agency

Before I was confirmed as Ex-Im's President and Chairman, I committed to this Committee that I would work to reform—and, in fact, transform—our agency in six different ways by: (1) Increasing transparency; (2) Strengthening taxpayer protections; (3) Improving protections for domestic companies; (4) Ensuring Ex-Im does not “crowd out” private financing options; (5) Cracking down on bad actors; and (6) Working to reduce the reliance on ECAs globally.

We are dedicated to these six reforms and ensuring that America and the world can rely on a robust and principled ECA. A strong and transformed Ex-Im also is critical to U.S. economic and national security. As such, Ex-Im is committed to collaboratively working with other Federal agencies towards our mutual goals.

I am pleased to report we have made significant progress on each of these six commitments. Most notably, after an 11-month public and transparent review process, Ex-Im's Board of Directors unanimously adopted reforms to the agency's economic impact and additionality policies and procedures. In undertaking these efforts, Ex-Im sought public comment in the *Federal Register*; held two public Ex-Im Advisory Committee meetings, chaired by former Congressman Stevan Pearce and featured experts with diverse views about the role of Ex-Im; solicited independent third-party review; and considered input from other U.S. Government agencies.

With the economic impact reforms, we have increased the transparency surrounding Ex-Im's detailed economic impact analyses and streamlined the screening procedures surrounding the review of commercial aircraft transactions.

Through new guidelines to strengthen the agency's determination of “additionality”—the reason why a transaction could not go forward without Ex-Im financing—Ex-Im bolstered its processes and documentation of the reasons why Ex-Im financing is needed in a given transaction, calling out the need for Ex-Im financing in its application certifications, surveying private lenders, producing an annual report on the additionality of its financing in the previous fiscal year, and subjecting its additionality procedures to periodic independent review. The Board also adopted a resolution that underscores “the importance of ensuring that Ex-Im provides competitive financing to U.S. exporters while supplementing, not competing with, private capital.” And, to further ensure that Ex-Im does not “crowd out” private financing options, we have instituted a practice of requesting financial institutions to notify me, as President and Chairman of Ex-Im, immediately if Ex-Im ever competes with the private sector.

Ex-Im also implemented numerous initiatives to increase our transparency and stakeholder engagement. This includes reestablishing, as required by law, Ex-Im's Advisory Committee and Sub-Saharan Africa Advisory Committee and releasing transcripts of the committee meetings, boosting our public and Congressional engagement efforts, improving our publicly available data, providing regular updates on Ex-Im's authorizations, and increasing visibility into Ex-Im's operations by building a more detailed public record of agency activity.

An organization's culture is critical in determining how well an agency can perform a variety of work outcomes in order to drive transformational change. As such, Ex-Im's revised Strategic Plan for FY2020–2022 includes an important new goal of recruiting and retaining top talent and emphasizes Ex-Im's collaboratively devel-

oped “Shared Values”—Integrity, Stewardship, Accountability, Inclusivity, and Leadership.

In order to ensure Ex-Im is successful at fulfilling its mission and becomes one of the best places to work in the Federal Government, we also launched Ex-Im’s Transformation Initiative—a sweeping initiative formulated through extensive employee feedback and led by a small team of dedicated civil servants with a singular focus: improve the collective employee experience at Ex-Im.

Our Chief Management Officer (CMO) is making significant strides to identify efficiencies, and enhance the workforce and work culture from a strategic and operational standpoint. The CMO Team furthers Ex-Im’s mission by promoting good governance through improved policies and processes, cultivating a high-performance workforce which garners measurable results, providing excellent internal customer service in a manner consistent with Ex-Im’s core values, and improving internal communication.

The Ex-Im Board showed our commitment to strengthening protections for taxpayers and cracking down on bad actors by approving Ex-Im’s Chief Risk Officer and Chief Ethics Officer, as required by law, and supporting other key initiatives. To underscore expectations to employees, customers, and other stakeholders, we adopted Ex-Im’s very first Code of Business Conduct and Ethics, strengthened Ex-Im’s Financial Conflict of Interest and Recusal Policy, doubled the Office of Ethics staff resulting in quicker review and certification of public financial disclosure forms and enhanced transparency, and implemented the U.S. Government Accountability Office’s Fraud Risk Management Framework. Finally, as required by law, we hired a Director of Data Governance and implemented an Enterprise Data Management program to foster innovation, strengthen best practices and ensure access to and trust of shared data.

We also value the role of our Ex-Im Office of Inspector General, which, through its independent and objective reviews, serves as an agent for positive change at our agency.

I have been very clear with our global counterparts that Congress has put a priority on reducing the reliance on export credit agencies globally. I wholeheartedly agree with those who argue that, ideally, economic freedom and prosperity are greater in a world without Government-sponsored export credit agencies. Indeed, the agency’s Charter¹ encourages an end to all “predatory export financing programs and other forms of export subsidies.”² The Charter further requires Ex-Im, “in cooperation with the export financing instrumentalities of other Governments, seek to minimize competition in Government-supported export financing and shall, in cooperation with other appropriate United States Government agencies, seek to reach international agreements to reduce Government subsidized export financing.”³

As one of my first official actions in 2019, I met with the G12 Heads of Export Credit Agencies to make clear to them our expectations around transparency and a level playing field. Working with my international colleagues, we secured the opportunity to host the 2020 meeting here in the U.S. I look forward to furthering this discussion about the importance of transparency and a level playing field as part of the G12 meeting of export credit agencies that we will host later this year.

In the meantime, as I previously testified to this Committee, the United States cannot unilaterally disarm and turn its back on America’s workers in an ever-fiercer global marketplace fueled by ECAs. It is imperative for the competitiveness of our Nation, when private sector financing is not available, that Ex-Im help level the global playing field for our U.S. businesses—especially America’s small businesses—and workers. I also welcome the participation of Members of this Committee if they are interested in directly engaging our global counterparts on this important topic.

Implementing Ex-Im’s Reauthorization: Strengthening America’s Competitiveness in the World

As we continue to make major progress in these areas, Ex-Im also is hard at work to implement its historic December 20, 2019, reauthorization requirements (P.L.

¹ The Export-Import Bank Act of 1945, as amended, serves as the agency’s Charter and is codified at 12 U.S.C. 635 et seq.

² 12 U.S.C. 635a-1(a); see also 12 U.S.C. 635a-5(a)(1). Additionally, 12 U.S.C. 635a-5 provides that the President of the United States is to initiate and pursue negotiations with other major exporting countries “to substantially reduce, with the goal of eliminating [. . .] subsidized export financing programs and other forms of export subsidies.” This mandate has been delegated to the Secretary of the Treasury. Memorandum of President of the United States for the Secretary of the Treasury, 81 FR 14,367 (Mar. 11, 2016).

³ 12 U.S.C. 635(b)(1)(A).

116-94, Division I, Title IV). I specifically want to highlight the progress we have made on two major elements of our reauthorization.

Program on China and Transformational Exports

First and foremost, we are very pleased to have the new Congressional mandate to establish a program to compete with China and counter its opaque and exploitative model of economic development and finance.

Specifically, Congress directed Ex-Im to establish a new “Program on China and Transformational Exports” (Program). The Program’s purpose is “to support the extension of loans, guarantees, and insurance, at rates and on terms and other conditions, to the extent practicable, that are fully competitive with rates, terms, and other conditions established by the People’s Republic of China”⁴ or by other covered countries (as designated by the Secretary of the Treasury). The law charges Ex-Im with a goal of reserving not less than 20 percent of the agency’s total financing authority—\$27 billion out of a total of \$135 billion—for support made pursuant to the Program.

The Program has two legislative aims. The first is to “directly neutralize export subsidies for competing goods and services financed by official export credit, tied aid, or blended financing provided by the People’s Republic of China” or by other covered countries.⁵ The second is to “advance the comparative leadership of the United States with respect to the People’s Republic of China, or support United States innovation, employment, and technological standards, through direct exports” in 10 areas key to America’s future:⁶

1. Artificial intelligence.
2. Biotechnology.
3. Biomedical sciences.
4. Wireless communications equipment (including 5G or subsequent wireless technologies).
5. Quantum computing.
6. Renewable energy, energy efficiency, and energy storage.
7. Semiconductor and semiconductor machinery manufacturing.
8. Emerging financial technologies (including technologies that facilitate financial inclusion through increased access to capital and financial services; data security and privacy; payments, the transfer of funds, and associated messaging services; and efforts to combat money laundering and the financing of terrorism).
9. Water treatment and sanitation (including technologies and infrastructure to reduce contaminants and improve water quality).
10. High-performance computing.

Accordingly, we are actively working to establish the Program, which is one of the agency’s most significant efforts in the 86-year history of Ex-Im and vital to help level the playing field so our Nation’s businesses and workers can succeed against fierce Chinese competition around the world. When it comes to Chinese competition, I also would like to preview a few points that will be included in the upcoming June 2020 “Report on Global Export Credit Competition of the Export-Import Bank of the United States” (Competitiveness Report) for Calendar Year 2019 that we will submit to Congress at the end of June. The to-be-released “Competitiveness Report” will show that the world now has 115 known official export credit providers, up from 85 just 4 years earlier—a 35-percent increase from 2015 to 2019. This significant expansion occurred at the same time Ex-Im—an important tool in the United States’ trade toolbox for America’s companies and workers—was not able to consider medium- and long-term transactions exceeding \$10 million because it lacked a Board quorum.

Over this same period, China’s official financing activity continued to dominate the market. In fact, when it comes to export credit financing, China is fundamentally changing the nature of competition. China is very aggressive, strategically focused, and, unlike the United States and many other countries, not subject to the same international rules and agreements. From 2015 to 2019, China’s official medium- and long-term export credit activity alone was at least equal to 90 percent of that provided by all G7 countries combined. In addition, it is important to note, as this “Competitiveness Report” describes, that beyond its official ECAs, China

⁴ 12 U.S.C. 635(l)(1).

⁵ 12 U.S.C. 635(l)(1)(A).

⁶ 12 U.S.C. 635(l)(1)(B).

uses several other Government entities to finance its exports and trade practices through a variety of means, including export credits.

Chinese State-backed unfair competition undermines our exporters and even puts America at a disadvantage in key sectors critical to our long-term economic and national security. As such, in April, I hired a seasoned leader with extensive international business and national security experience to Ex-Im from the Department of Defense to stand up our new Program on China and Transformational Exports. In addition, we are expeditiously addressing the underlying policy and legal issues necessary to compete successfully, and we are working through a resource assessment to ensure this Program is fit for purpose.

In support of the Program, we also launched our “Strengthening American Competitiveness Initiative,” a series of engagements with companies and related stakeholders that is a key platform for ensuring that the Program—and Ex-Im generally—is optimally positioned to support American jobs by facilitating U.S. exports. We are having focused and substantive discussions with counterparts from each of the 10 statutory transformational export sectors noted above and making sure their insights shape the Program in a way that has maximum impact for our exporters. We also are encouraging leads on potential deals for America’s exporters.

Beyond this Program, I also was pleased that Congress included an important notice and consultation provision regarding China, whereby Ex-Im transactions greater than \$25 million that involve Chinese State-owned enterprises must be sent to the U.S. Department of State “to assess any risks posed by the entity or the transaction to the national interests of the United States,” with a subsequent notice to Congress reporting on the consultation.⁷ Ex-Im is finalizing the procedures required by law, and, in the meantime, has already been consulting with the State Department about any such transaction as appropriate.

Recognizing that “economic security is national security,” we also established the first position ever within Ex-Im whose duties are devoted to national security. Through this position, Ex-Im began more active participation in the policy coordination process led by the National Security Council and expanded its involvement in interagency engagements.

Increasing U.S. Small Business

In a parallel Ex-Im reauthorization implementation effort, we are also very focused on boosting our small business outreach and engagement. In FY2019, Ex-Im authorized 2,091 small business transactions for a total of \$2.3 billion. This represented 89 percent of Ex-Im’s total authorizations and 27.5 percent of the total dollar value of authorizations. Thus far in FY2020, Ex-Im has authorized 1,159 small business transactions for a total of \$985 million. This represents 89 percent of Ex-Im’s total authorizations and 53.7 percent of the total dollar value of authorizations fiscal year to date.

Ex-Im has the capacity to do much more and I invite small businesses exporting their products around the world to consider how Ex-Im can support their growth and competitiveness. Accordingly, I have directed our staff to embark on five initiatives that seek to drive increased support for our small businesses.

We are enhancing our outreach and education by restoring and boosting our Ex-Im field office staff—as they are one of Ex-Im’s most important assets and our “boots on the ground”—to better assist small businesses, increasing our engagement in local business development events, and leveraging our investments in digital marketing resources to reach businesses looking to export their products overseas.

Ex-Im is increasing our focus on historically underserved business owners and start-up businesses. As part of this effort, we are trying to better reach minority-women-, and veteran-owned businesses, rural and agricultural businesses, businesses owned by persons with disabilities, and other businesses in underserved communities. In addition to a robust and well-funded digital media strategy, we are developing targeted webinars, materials, and promotional support designed to more effectively reach and educate these constituencies about how to export goods using Ex-Im. We want to ensure all eligible and appropriate companies have access to Ex-Im financing.

We have been working to develop new private sector partnerships that can help amplify our message to thousands of member companies, many of which are small businesses. For example, Ex-Im recently signed a Memorandum of Understanding with the National Credit Union Administration (NCUA) to launch the first-ever targeted Ex-Im outreach to, and partnership with, private sector credit unions through a 3-year educational initiative to promote Ex-Im financing products among federally

⁷Section 408 of the Export-Import Bank Extension, Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV.

insured credit unions and their members—more than 5,000 institutions having total membership reaching 120.4 million. I was so pleased to work with NCUA Chairman Rodney E. Hood on this effort. Together, we will look to boost expanded opportunities for U.S. businesses—particularly small businesses—and their American workforce.

Ex-Im has looked at how we can make it easier for small businesses to access financing. We have undergone an organizational realignment to better allocate our resources to support our working capital guarantee lenders, participating insurance brokers, and exporters. We have also expanded and enhanced our product offerings, providing greater flexibility and choice to exporters.

Finally, we have increased our transparency and reporting of small business authorizations, priorities, and initiatives, which you can find on Ex-Im's website.

With these efforts and more, I am confident we can reach more small businesses and equip them with the tools they need to reach new markets and support American workers.

Reopening America: Ex-Im's Swift Response to the Economic Challenges of COVID-19

This has been a very challenging time for our country as we deal with the consequences associated with the COVID-19 global pandemic. As we focus on saving lives and protecting livelihoods, I want to recognize and thank my Ex-Im colleagues who took swift action and continue to respond to the global financial disruptions and instabilities. Our Ex-Im workforce quickly transformed into a temporarily fully teleworking agency, in order to better assist American exporters and financial institutions dealing with the painful financial pressures brought on by the pandemic.

Ex-Im tends to be needed most during periods of stress in global financial markets. Ex-Im experienced this following the 2008 financial crisis when the agency's authorizations increased by 80 percent.

With unprecedented speed, Ex-Im implemented emergency measures in response to COVID-19. On March 12, Ex-Im announced temporary relief measures for current customers including extended waivers, deadline extensions, streamlined processing, and flexibility due to the anticipated effects of the COVID-19 outbreak. These measures allow businesses to return to their operations, focus on the safety of their families and employees, and fulfill their Ex-Im-related obligations at an appropriate time, without penalty. This relief currently remains in effect through August 31, 2020, subject to future extensions.

In April, Ex-Im announced four temporary initiatives to address the targeted needs experienced by exporters and private sector lenders. The Bridge Financing Program supports short-term liquidity needs faced by foreign buyers seeking to purchase U.S. goods and services. The Pre-Export Financing Program supports progress delivery payments from foreign buyers using long-term financing to purchase U.S. manufactured goods. Ex-Im enhanced both its Supply Chain Financing Guarantee Program and Working Capital Guarantee Program by increasing the level of its guarantee and program flexibilities. Today, Ex-Im is working through more than \$870 million of financing requests from U.S. businesses looking to take advantage of the flexibilities in these two programs alone.

Finally, our Ex-Im Board of Directors temporarily suspended the availability of its financing for certain medical supplies and equipment necessary to treat and prevent the spread of COVID-19 that are in short supply in the United States. We are continuously monitoring the situation and working closely with our interagency partners to ensure Ex-Im financing does not detract from our Nation's domestic response to the COVID-19 crisis.

Like many financial institutions, COVID-19 also is affecting the outstanding exposure on our robust Ex-Im portfolio. As of May 31, Ex-Im's total exposure is \$46.8 billion. Ex-Im has extensive experience on how to structure transactions in a way that minimizes risk and protects the U.S. Government—and the U.S. taxpayer—from the risk of default. After transaction approval, Ex-Im takes a proactive approach toward managing the transaction through regular reviews of the debt service repayment capacity of the primary source of repayment.

As COVID-19 began to affect our customers, Ex-Im quickly reached out to them to identify repayment risks and work directly with the parties to the transaction to implement solutions to strengthen the credit. This is an ongoing process we continue to diligently undertake. And, of course, I invite any of your constituents or companies experiencing payment issues or difficulty accessing liquidity to reach out to Ex-Im.

While Ex-Im's portfolio remains sound, there is stress among three specific types of transactions: asset-backed transportation, commodities, and sovereign. Among our transportation portfolio, Ex-Im expects to be fully repaid on all aircraft transactions.

While passenger air travel has dropped significantly, cargo aircraft have continued to fly without issue. Furthermore, Ex-Im maintains significant excess collateral in the case of nonpayment. When it comes to commodities, the sharp drop in oil and gas prices has affected many producers around the world. After a careful review of Ex-Im's exposure in this sector, we do not project any significant repayment issues in the near future. Finally, for those transactions in which foreign Governments are the primary source of repayment, Ex-Im has received several requests for short-term liquidity relief.

In sum, Ex-Im recognizes the importance that borrowers are placing on maintaining liquidity to offset sharp declines in revenue. As of this time, the nature of the stress for Ex-Im borrowers appears primarily to be one of short-term liquidity and not long-term solvency. We continue to work proactively with borrowers to protect the long-term financial interests of the U.S. taxpayer.

I also would like to underscore that the Ex-Im Office of Small Business has been working diligently to meet the needs of the communities we serve in this unprecedented business climate.

We quickly implemented relief measures for our customers and partners, offering the financial flexibility they need to weather this crisis.

As part of that effort, we created a one-minute video (<https://www.exim.gov/coronavirus-response>) on how Ex-Im can support American businesses at this time. This is an example of how we are focusing our digital marketing efforts on remaining connected and offering solutions during this challenging time. We encourage your offices to share this video, along with information about our COVID-19 relief measures, with your constituents.

The longer the COVID-19 pandemic depresses global economic activity, the greater the risk that Ex-Im will experience an uptick in its default rate. By law, if Ex-Im's default rate were to exceed 2 percent, its total aggregate outstanding exposure would freeze,⁸ significantly limiting the agency's ability to support U.S. exporters, small businesses, and American workers at a time when such assistance may be most needed. We will keep this Committee fully informed as this situation continues to develop.

Conclusion

As I conclude my remarks, I note that these are difficult times for many American businesses, workers, and their families. As we focus on America's economic comeback, Ex-Im remains committed to our mission of supporting American jobs by facilitating U.S. exports.

It is a point of pride for Ex-Im's diverse and talented colleagues that we are a rare civilian agency within the Federal Government that both supports large numbers of private sector American jobs and plays a critical role in advancing U.S. leadership around the world.

It is an immense honor to be a part of and continue to further this historic effort to advance our Nation's prosperity, support U.S. jobs by serving American businesses of all sizes, and keep America strong for years to come.

Thank you for the opportunity to address this Committee. I am pleased to answer any questions you may have.

⁸ 12 U.S.C. 635e(a)(3).

**RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN CRAPO
FROM KIMBERLY REED**

Q.1. *Nuclear Energy Exports*—Chairman Reed, Section 402 of the recent reauthorization empowers the Ex-Im to counter China in transformational exports. Would you favorably consider using this program to support nuclear energy exports in markets where Chinese or Russian supply is the probable alternative to U.S. supply?

A.1. Yes, to the extent permitted by law, Ex-Im will consider nuclear energy-related exports under the Ex-Im Program on China and Transformational Exports (the “Program”), which was mandated by Congress as part of Ex-Im’s 2019 Congressional reauthorization legislation.¹

Ex-Im has a critical role to play in supporting the competitiveness of the U.S. nuclear energy industry in markets around the world.

In July 2019, President Trump established the United States Nuclear Fuel Working Group, which was charged with undertaking “a fuller analysis of national security considerations with respect to the entire nuclear fuel supply chain.”² In a report issued earlier this year, the Working Group found that “it is in the Nation’s national security interests to preserve the assets and investments of the entire U.S. nuclear enterprise and to revitalize the sector to regain U.S. global nuclear leadership.”³

The Working Group found that foreign State-owned enterprises are engaging in predatory export financing tactics and that Ex-Im is an essential component of the U.S. Government’s efforts to offer competitive financing to facilitate U.S. exports of nuclear energy-related goods and services.

Ex-Im recognizes that competitive financing is one of the biggest challenges U.S. commercial nuclear exporters face. As U.S. Department of Energy Secretary Dan Brouillette recently stated at Ex-Im’s 2020 Annual Conference, “America must regain its leadership in nuclear technologies . . . and we want [potential customer countries] to choose American nuclear technology.”⁴ The United States therefore needs to bring a comprehensive package to potential customers that includes technology, expertise, and of course, financial options.

With regard to the Program, statute provides that its first aim is to “directly neutralize export subsidies” financed by the People’s Republic of China (PRC).⁵ Therefore, under the Program, Ex-Im will offer financing to support U.S. exports of nuclear energy-related goods or services that are competing directly against goods

¹ Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV, § 402, December 20, 2019, codified at 12 U.S.C. § 635(l).

² Memorandum of President of the United States on the Effect of Uranium Imports on the National Security and Establishment of the United States Nuclear Fuel Working Group, (July 12, 2019). Available at <https://www.whitehouse.gov/presidential-actions/memorandum-effect-uranium-imports-national-security-establishment-united-states-nuclear-fuel-working-group/>.

³ United States Nuclear Fuel Working Group. (2020) “Restoring America’s Competitive Nuclear Energy Advantage: A Strategy To Assure U.S. National Security”. U.S. Department of Energy. Available at <https://www.energy.gov/downloads/restoring-americas-competitive-nuclear-energy-advantage>.

⁴ “Department of Energy and Export-Import Bank Fireside Chat”, 2020 Ex-Im Annual Conference, September 11, 2020. Excerpts available at <https://www.energy.gov/articles/department-energy-and-export-import-bank-fireside-chat>.

⁵ 12 U.S.C. § 635(l)(1)(A).

and services that benefit from Chinese Government-backed export financing.

The statute also provides that the Program may be used to directly neutralize export subsidies financed by any other country that meets specified criteria and that is designated a “covered country” by the Secretary of the Treasury in a report to certain congressional committees.⁶ In the event that Russia were deemed a “covered country,” the Program could similarly be used to counter export subsidies financed by Russia in the nuclear sector.

The second statutory aim of the Program is to “advance the comparative leadership of the United States” with respect to the PRC, or “support United States innovation, employment, and technological standards” with respect to direct exports in specified areas.⁷ Since nuclear energy exports are not listed as one of these areas⁸ and there are no other countries designated as “covered countries,” financing under the Program for nuclear energy exports is currently limited to direct competition with PRC-backed export financing.

Applications that do not otherwise qualify under the terms of the Program are still eligible for consideration through Ex-Im’s standard financing options, which include extended terms for exports related to nuclear power projects.⁹ Ex-Im will continue to put a high priority on offering competitive financing in order to support U.S. exports, including nuclear energy and related products and services.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM KIMBERLY REED

Q.1. *Sasan power plant in Madhya Pradesh, India*—Chairman Reed, thank you for your assurances during the hearing that Ex-Im takes very seriously the six fatalities that occurred in April at the Sasan power plant when a fly ash dam failed. How will Ex-Im work to ensure that the plant’s owner, Reliance Power, is held accountable and further fatalities and safety-related incidents are prevented? In addition to any general response to the preceding question, will Ex-Im commit to the each of the following actions in response to the April incident? If not, please explain why such action is not possible or should not be pursued.

A.1. In order to facilitate U.S. exports and support U.S. jobs associated with this transaction, Ex-Im authorized a direct loan on October 21, 2010 to Sasan Power Limited (Sasan), which is a subsidiary of Reliance Power. Under the structure of this transaction, Sasan is contractually obligated to construct, operate, and monitor the project site with due diligence in accordance with “Good Industry

⁶ 12 U.S.C. § 635(l)(2).

⁷ 12 U.S.C. § 635(l)(1)(B).

⁸ Statute provides that “renewable energy, energy efficiency, and energy storage” are one of the 10 areas covered under the China and Transformational Exports Program. Ex-Im interprets “renewable energy” consistent with the Organization for Economic Co-operation and Development’s Arrangement on Officially Supported Export Credits. Nuclear energy is not among the listed sectors. Annex IV, Appendix I, p. 97 (January 15, 2020). Available at <http://www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/>.

⁹ The Arrangement allows for enhanced financial terms and conditions for nuclear power projects under Annex II: Sector Understanding on Export Credits for Nuclear Power Plants. Separately, the Arrangement also provides Participants to the Arrangement with the ability to “match . . . financial terms and conditions offered by a Participant or a non-Participant.”

Practice”;¹ generally accepted construction and engineering practices; all applicable laws and regulations; Ex-Im’s Environmental & Social Due Diligence Procedures and Guidelines; the International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability; and the project-relevant IFC Environmental, Health and Safety Guidelines in force on the execution date of the financing documents (September 2011).

Reliance Power is not a party to the Sasan credit agreement, which includes borrower operational covenants. Reliance Power has no contractual obligation to ensure full and timely compliance by Sasan with its contractual undertakings. Therefore, Ex-Im works directly with Sasan and other project lenders regarding Sasan’s adherence to its contractual obligations.

Ex-Im takes very seriously the recent tragic breach of the fly ash pond. The loss of life that occurred is completely unacceptable. Ex-Im has strongly urged Sasan to take immediate action to address the needs of local affected communities and comply with all applicable legal directives.

Since learning of the incident, Ex-Im has been in regular communication with Sasan, the independent engineer, and the independent environmental and social consultant to obtain additional information about the incident, its effects on the local community, and actions being taken to mitigate those effects. Currently, much of India remains under lockdown in response to the COVID-19 pandemic, limiting the ability of Ex-Im and the independent consultants to directly assess these matters. Despite the current limitations, Ex-Im continues to monitor local developments as much as possible.

On May 21, 2020, Ex-Im held a teleconference meeting with community and other stakeholder representatives shortly after the ash dam failure to hear directly their accounts of the incident and their recommendations on compensation and clean-up. These stakeholders have assisted Ex-Im’s review by providing additional background information and documents from local sources.

Ex-Im is assessing the circumstances that led to the incident and, once pandemic mitigation measures have been lifted to a degree that permits, Ex-Im will expand its assessment of the ash dam failure and contributing circumstances, including use of a suitable independent party to investigate and recommend remediation measures.

Following the independent investigation and recommendations, Ex-Im will work with Sasan and the other project lenders to facilitate further improvements in safety at the project, consistent with the standards in the financial documents, including Good Industry Practice. In accordance with the applicable requirements, Sasan is expected to place a high priority on remediating the effects of the incident and mitigating the potential for future adverse effects.

¹Defined in the Sasan credit agreement as “standards, practices, methods and procedures complying with Applicable Law and all Clearances, and with that degree of skill, diligence, judgment, prudence and foresight which would ordinarily be expected from (as applicable) an international skilled and experienced owner and operator engaged in designing, engineering, constructing, developing, commissioning, operating, insuring and maintaining power facilities, mining facilities and/or the other facilities included within the Project.”

Ex-Im has been and will continue to be a strong force pushing for improvements in the project safety and adherence to high environmental and social standards.

Further responses are provided for the question related to each of the following suggested actions. In each instance, note that Ex-Im's response references working with Sasan directly. As described above, Reliance Power has no contractual obligation to ensure full and timely compliance by Sasan with its contractual undertakings.

Q.2. Ensure Reliance Power provides sufficient compensation and remediation for the loss of life, land, crops, and homes, including clean up and restoration related to the flood of coal ash.

A.2. Following the incident, Indian governmental authorities issued directives to Sasan, imposing certain requirements regarding compensation and remediation for the loss of life, damages to the affected communities, and clean up and restoration related to the flood of coal ash. Ex-Im and the independent consultants will monitor compliance by Sasan with these regulatory directives through engagement with Sasan and the local community.

Q.3. Provide transparency in commitments made by Reliance Power following the April dam collapse concerning compensation, clean up, restoration.

A.3. Ex-Im is fully committed to transparency and accountability, including with regard to this incident.

Q.4. Require that regular safety audits are conducted at Sasan, including audits of the ash disposal site, and ensure property safety measures are implemented.

A.4. Sasan is required to adhere to the applicable requirements referenced above, including those related to workforce safety, and the health and safety of project-affected people. As is standard practice with project finance transactions, Ex-Im has also retained independent consultants to conduct ongoing independent monitoring and to conduct focused investigations of individual incidents since the transaction became operative. The independent consultants and advisors assess compliance with the environmental and social standards mentioned above, including those related to workforce safety, and the health and safety of project-affected people. The independent consultants perform their assessments through on-the-ground inspection audits, engagement with affected communities, engagement with local Government representatives and document reviews. The consultants then report to Ex-Im on the degree of compliance and identified risks. The scope of the consultants' mandates includes monitoring of all known project infrastructure elements where their failure could result in injury to the community, including the ash disposal facilities. The monitoring and incident investigations will continue as required by the Sasan contractual agreements and will apply particular attention to the conditions that led to the ash dam failure.

Q.5. Ensure a new, thorough, and impartial independent investigation is conducted that reviews the April disaster and reports of corruption, human rights and labor violations since the last Ex-Im OIG report.

A.5. Indian governmental authorities mandated that Sasan hire an independent technical consultant to investigate the structural safety and stability of the ash dike and an environmental consultant to investigate the impact of the spill, including an assessment of the cost of the environmental damage, and the cleanup and restoration activities. The technical consultant hired by Sasan has visited the Sasan site, but the environmental consultant has been unable to visit the site due to COVID travel restrictions.

In addition, Ex-Im's independent consultants will undertake their own, separate review of the incident as described above.

Ex-Im takes allegations of corruption, human rights abuses, and labor violations very seriously. Anyone with information about such actions is asked to report them directly to Ex-Im or Ex-Im's Office of the Inspector General for immediate investigation.

Q.6. Require that Reliance Power cooperates with any criminal or civil investigations conducted by Indian governmental entities concerning the April fly ash dam collapse or Reliance's safety practices.

A.6. As a condition of Ex-Im financing, Sasan is contractually required to comply with all applicable laws, including any Indian laws that require cooperation in civil and criminal investigations. Ex-Im and its independent consultants will continue to monitor Sasan's compliance with legal directives and investigations.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR McSALLY FROM KIMBERLY REED

Q.1. A large group of national security experts wrote to Congress last year¹ to underscore the importance of the [Export-Import Bank] to U.S. nuclear exports and multiple security interests inherent in nuclear energy supply. Today, those interests are threatened. Would you support using the Ex-Im Bank to promote U.S. nuclear energy engagement abroad?

A.1. Yes, Ex-Im has a critical role to play in supporting the competitiveness of the U.S. nuclear energy industry in markets around the world.

In July 2019, President Trump established the United States Nuclear Fuel Working Group, which was charged with undertaking "a fuller analysis of national security considerations with respect to the entire nuclear fuel supply chain."² In a report issued earlier this year, the Working Group found that "it is in the Nation's national security interests to preserve the assets and investments of the entire U.S. nuclear enterprise and to revitalize the sector to regain U.S. global nuclear leadership."³

The Working Group found that foreign State-owned enterprises are engaging in predatory export financing tactics and that Ex-Im

¹ <https://www.americansecurityproject.org/asp-sends-letter-to-congress-regarding-ex-im-bank/>

² Memorandum of President of the United States on the Effect of Uranium Imports on the National Security and Establishment of the United States Nuclear Fuel Working Group, (July 12, 2019). Available at <https://www.whitehouse.gov/presidential-actions/memorandum-effect-uranium-imports-national-security-establishment-united-states-nuclear-fuel-working-group/>.

³ United States Nuclear Fuel Working Group. (2020) "Restoring America's Competitive Nuclear Energy Advantage: A Strategy To Assure U.S. National Security". U.S. Department of Energy. Available at <https://www.energy.gov/downloads/restoring-americas-competitive-nuclear-energy-advantage>.

is an essential component of the U.S. Government's efforts to enable the U.S. private sector to offer competitive financing for nuclear technologies.

Ex-Im is mandated to offer financing at rates and on terms and conditions that are fully competitive with foreign Government-backed financing.⁴ Ex-Im does not discriminate against applications on the basis of their industry, sector, or business.⁵

Any Ex-Im direct or guaranteed credit financing of a foreign civil nuclear power project or civil nuclear-related exports is subject to Ex-Im's legal and policy requirements.⁶ In addition, all such financings are also subject to compliance with relevant laws, including general requirements of U.S. law that need to be satisfied by U.S. exporters, the host country, and the project company.⁷ As a condition of financing, Ex-Im also mandates compliance with relevant laws and regulations of nuclear project host countries (and any other relevant countries).

As Ex-Im receives qualified nuclear export-related applications, the agency will continue to give a full and fair review and work to process them in a timely fashion. Please note, however, that nuclear projects tend to be highly complex and may take a long time for all the parties to reach an agreement on all of the various technical, legal, and financial matters.

Additionally, nuclear-related applications in which U.S. exporters are competing against People's Republic of China-backed export financing may qualify for financing under Ex-Im's Program on China and Transformational Exports, which is currently under development.⁸

Finally, Ex-Im notes that legislative provisions that impose greater limitations on the availability of its financing for nuclear-related exports may result in foreign countries choosing nuclear cooperation partners that have significantly lower nonproliferation standards.⁹ Such an outcome may adversely affect the U.S. Government's ability to support the adoption of the highest standards of safety, security, and nonproliferation in civil nuclear programs by countries that are seeking to acquire civil nuclear technology.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM KIMBERLY REED

Q.1. In past recessions, Ex-Im has typically expanded its support as private commercial banks scale back their trade financing. For example in fiscal year 2009, during the Great Recession, Ex-Im's credit assistance grew 46 percent over the prior year, and much of that new assistance was in support of American small businesses.

What changes are you seeing in the private sector's willingness or capacity to continue to lend to small exporters?

⁴ 12 U.S.C. § 635(b)(1)(A).

⁵ See also 12 U.S.C. § 635(k).

⁶ Including but not limited to 12 U.S.C. § 635(b)(4); 12 U.S.C. § 635(b)(5); the Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division G, Title VI, December 20, 2019.

⁷ Such as the Atomic Energy Act, as amended (codified at 42 U.S.C. §§ 2011-2259) and all applicable regulations.

⁸ 12 U.S.C. § 635(l)(1)(A).

⁹ For example, Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division G, Title VII, § 7041(h)(2), December 20, 2019.

A.1. Ex-Im has put a priority on outreach and engagement with small businesses throughout the COVID-19 crisis to better understand exactly what they are facing as they look to export their products and support their workforce. As part of this effort, Chairman Kimberly Reed recently visited Wilmington Paper Corporation, a small business in Pine Brook, New Jersey, that exports scrap paper for recycling and was recently named Ex-Im's Exporter of the Year. They discussed how the events of the past year have affected their ability to access the financing tools they need to successfully compete overseas.

Based on conversations like these with exporters and lenders, Ex-Im has found that the private sector's capacity to lend has been significantly reduced as lenders are reallocating their funds to shore up their balance sheets. Lenders have increasingly sought Ex-Im loan guarantees in order to maintain existing credit lines.

For syndicated credit facilities that involve multiple financial institutions, some lenders have dropped out indicating that they will not continue to participate without Ex-Im support. As a result, the lead banks in these facilities have engaged with Ex-Im in order to supplement their financing with guarantees that will enable the banks to maintain the credit facility.

For new business opportunities, banks are seeking increased guarantee coverage from Ex-Im in order to manage their balance sheets by reducing capital reserve requirements for risk weighted assets. Some banks are taking advantage of Ex-Im's temporary expansion of its Working Capital Loan Guarantee and Supply Chain Finance Guarantee programs. In response to the pressures facing lenders, Ex-Im's Board of Directors approved a temporary increase of its guarantee coverage (from 90 percent to 95 percent). The temporary measure took effect in May and will remain until at least April 30, 2021.¹

Q.2. Is Ex-Im prepared to respond now like it did after the global financial crisis, if needed?

A.2. Yes, Ex-Im is similarly prepared to respond during the current crisis and expand support if private commercial banks scale back their trade financing. On March 25, Ex-Im's Board of Directors underscored its strong support for new initiatives to inject liquidity into the market and give maximum financing flexibility to facilitate sales of U.S. goods and services abroad.

Specifically, Ex-Im's Board of Directors, through its unanimous adoption of a resolution during an open board meeting with the public via teleconference, affirmed its support of the following temporary Ex-Im programs² to provide relief to U.S. businesses, their buyers, financial institutions, and American workers negatively impacted by COVID-19:

- Bridge Financing Program;
- Pre-Delivery / Pre-Export Financing Program;
- Supply Chain Financing Guarantee Program; and
- Working Capital Guarantee Program

¹ For more information, see <https://www.exim.gov/coronavirus-response>.

² Ibid.

Ex-Im also extended certain relief measures for U.S. exporters and financial institutions that may have been affected by COVID-19. These measures include waivers, deadline extensions, streamlined processing, and flexibilities that will enable participating businesses and financial institutions to return to their business concerns and Ex-Im-related obligations at an appropriate time without penalty.³

As events continue to develop, Ex-Im is in regular contact with exporters, lenders, international buyers, and other stakeholders to determine what additional measures, if any, are needed to better facilitate U.S. exports during this time of significant stress in global markets. Should any additional measures require legislative action, Ex-Im is pleased to work with this Committee to ensure it has the authority and resources it needs to effectively meet the needs of U.S. exporters.

Q.3. In contrast to many international financial institutions and some U.S. entities like the U.S. Development Finance Corporation, Ex-Im does not have a fully independent accountability mechanism to address complaints from communities harmed by Ex-Im's projects. If we want to present developing countries with a better economic model than the one offered by China, we should be doing everything we can to make sure that U.S.-led projects are transparent and truly deliver economic benefits to local communities. In light of the standards adopted at the U.S. Development Finance Corporation and elsewhere, how does the Bank plan to improve upon its accountability framework?

A.3. Among global export credit agencies, Ex-Im is generally recognized as among the most transparent. Ex-Im goes beyond international standards and best practices in publicly disclosing information about pending and approved transactions and soliciting feedback and input from potentially affected communities.

Ex-Im has adopted and applies the internationally recognized Performance Standards on Environmental & Social Sustainability of the World Bank Group's International Finance Corporation and the OECD's Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. These standards and principles are applied by most export credit agencies financing major projects, and many of the commercial lenders that participate in transactions with Ex-Im. In Ex-Im's experience, multilateral development banks and development financial institutions, such as the U.S. Development Finance Corporation, also apply these same international standards.

These international standards and best practices require projects with the potential for ongoing risks and impacts on surrounding communities to publish information about the project publicly, proactively engage with the community, and to establish a grievance mechanism to receive and facilitate resolution of the affected community's concerns and complaints about the project's environmental and social performance throughout the life of the project. Ex-Im implements these requirements.

³ More information available at <https://www.exim.gov/fact-sheet-exim-covid-19-assistance>.

Furthermore, since 2016, Ex-Im has hosted its publicly available Environmental and Social Project Information and Concerns web portal, which allows any stakeholder to request project information, provide information regarding a project, or submit project-related complaints or concerns directly to Ex-Im.⁴ All submissions are reviewed by a cross-divisional committee chaired by Ex-Im's Chief Risk Officer, who reports directly to Ex-Im's President and Chairman. Based on the submissions received through this portal, the committee engages in regular discussions to ensure that project-related concerns and complaints are brought to the attention of senior management across divisions and project-related information is made publicly available in a timely fashion.

Ex-Im also maintains a public registry of project-related complaints, including compliance with environmental and/or social compliance, either during the construction or operational phase of a project.⁵

Additionally, Ex-Im has an independent Office of the Inspector General (OIG) that reviews Ex-Im's implementation of its policies and procedures, including those relating to environmental and social effects of projects.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARREN FROM KIMBERLY REED

Q.1. Please describe how the Export-Import bank is supporting small businesses during the COVID-19 pandemic, including outreach efforts to lenders and businesses, as well as the steps Ex-Im is taking to ensure that its default rate does not go [above] the 2 percent maximum default rate.

A.1. Digital outreach and education tools are uniquely positioned to respond to the needs of small businesses during the present crisis.

In the past, an important component of educating businesses on Ex-Im support for exporting relied in part on individualized, high-touch communications meeting and speaking to company representatives one-on-one or in groups, often in collaboration with other Federal Government agencies; public-private partnerships, such as District Export Councils; and State and local economic development agencies.

Under the current circumstances, in-person interactions are not an option, so Ex-Im has increased its use of automated digital platforms to stay connected with small businesses during this time of social distancing.

The Outreach and Education team in Ex-Im's Office of Small Business is driving digital communications strategies and tactics forward with three goals in mind:

- Be proactive to the needs of the community of small business exporters (customers and prospects)
- Drive as much normalcy and "business as usual" as possible

⁴ Available at <https://www.exim.gov/policies/ex-im-bank-and-the-environment/environmental-and-social-project-information-and-concerns>.

⁵ Available at <https://www.exim.gov/policies/exim-bank-and-environment/registry>.

- Maintain a robust pipeline of actions to provide continuity; keep moving forward so the agency is prepared to address financing needs in a stressed and volatile market.

Some of the specific actions Ex-Im has taken since social distancing guidelines went into effect include an increased focus on webinars with exporters, lenders, brokers, and partner organizations; enhanced outreach through email communications targeted to small businesses concern about nonpayment by foreign buyers due to the effects of COVID-19; and recording and making available an audio series on receivables financing, insuring receivables against the risk of nonpayment, and negotiating repayment terms in uncertain times.¹

Ex-Im tracks the risk involved with any particular transaction by proactively managing the credit through all parts of the transaction lifecycle, extending from disbursement to repayment. Ex-Im monitors the credit-rating of obligors' debt service repayment capacity, considering all factors that directly impact ability and willingness to repay its debt in a timely manner. These ongoing reviews strengthen staff's familiarity and working relationships with obligors and allow the agency to identify vulnerabilities in the credits.

Given the current economic uncertainty, these reviews are happening rapidly and the risk of any particular transaction being in default is fluid based upon these reviews. The monitoring groups seek to achieve this goal through ongoing assessments of the operating environment and financial condition of the borrower and guarantors to determine whether there have been changes that suggest an increase or decrease in the risk associated with any of the key variables considered at origination. Given the frequent communication between Ex-Im, its borrowers, and guaranteed lenders, the ability to develop and implement remediation action is strengthened and provides Ex-Im with additional notice prior to default.

Accordingly, in order to provide flexibility and to minimize defaults, Ex-Im is providing short-term liquidity relief to its borrowers by:

- Working with lenders to restructure debt
- Waiving certain covenant requirements
- Allowing the use of reserve accounts and applying security deposits to current obligations
- Waiving payments in advance and applying payments in advance to current obligations
- Paying out claims on defaulted installments associated with guaranteed loans

As of this time, the nature of the stress for Ex-Im borrowers is primarily one of short-term liquidity, not long-term solvency. Therefore, Ex-Im expects its borrowers will focus on maintaining sufficient liquidity over the short term. Currently, with these liquidity relief efforts Ex-Im's portfolio is stable and performing.

¹ Available at <https://www.exim.gov/what-we-do/export-credit-insurance>. A Spanish language version is under development.

The COVID-19 pandemic is a highly fluid and dynamic situation, and as more time elapses, a protracted crisis could result in increased defaults, impede recovery efforts, and thereby cause Ex-Im's default rate to rise. Ex-Im will continue to provide relief as necessary and appropriate to its borrowers in order to protect the long-term financial interest of the U.S. taxpayer.

Q.2. Ex-Im and the National Credit Union Administration (NCUA) recently signed a Memorandum of Understanding (MOU) to engage in a collaborative effort to promote Ex-Im among federally insured credit unions.

When will the outreach programs described in the MOU start to take affect?

A.2. Planning for outreach to credit union associations began shortly after the MOU signing. Four webinars have been completed with the following organizations:

- National Association of Credit Union Service Organizations (NACUSO), July 15, 2020
- Credit Union National Association (CUNA), July 22, 2020
- National Association of Federally Insured Credit Unions (NAFCU), August 5, 2020
- National Credit Union Administration (NCUA) August 19, 2020

Ex-Im looks forward to considering additional outreach activities with these organizations. Ex-Im also is working with these partners on enhancing communications through other channels, including association newsletters.²

Q.3. Has Ex-Im been conducting outreach to community banks to reach more small businesses? What steps is Ex-Im taking to ensure this outreach is effective and reaches businesses in underserved communities?

A.3. Currently, there are 54 private sector lenders actively participating in Ex-Im's delegated authority program for working capital loan guarantees.³ Ex-Im welcomes applications from additional private sector lenders interested in participating in this program.

Ex-Im is currently realigning its field operations to increase its focus on supporting the insurance brokers and commercial lenders that connect small businesses with Ex-Im financing. The purpose of this wholesale strategy is to provide assistance and resources to partners, in both a way that they see as valuable and will significantly increases the number of exporters they can identify, originate, and onboard. This increased attention on community lenders, combined with the activities of Ex-Im's Minority and Woman-Owned Business team across the country, including in rural communities, will help expand outreach to underserved communities.

Q.4. Has Ex-Im been conducting outreach to community development financial institutions (CDFIs) and minority depository institu-

²For example: Reed, Kimberly A., "Credit Union Customers Can Export Confidently With Ex-Im Support", *The NAFCU Journal*, September 2020: pp. 38-39. Available at https://www.nxtbook.com/ygsreprints/NAFCU/nafcu_SeptOct2020/index.php#/p/38.

³A full list of all approved working capital lenders is available at <https://www.exim.gov/tools-for-exporters/delegated-authority-lenders>.

tions (MDIs) to support community-based and minority-owned small businesses?

A.4. Historically, Ex-Im has not been able to identify many minority-owned banks that offer asset-based lending. Previous efforts to invite minority-owned banks to participate in Ex-Im's programs were unsuccessful as these lenders did not see the value of the Working Capital Loan Guarantee Program for their institutions.

However, Ex-Im does continue to engage with minority lenders as they consider expanding their financing options for their customers. In March, Ex-Im obtained an updated list of CDFIs from Treasury and is reviewing the list for asset-based lenders that may want to participate in Ex-Im's Working Capital Loan Guarantee Program. This process is ongoing.

Q.5. Describe how the organizational realignment of Ex-Im, in addition to the expanded access of product offerings you referenced in your written testimony, has made it easier for small businesses to access financing. What metrics and targets is Ex-Im using?

A.5. Ex-Im's organizational realignment is designed to improve the business development model for originating, identifying, and onboarding exporters of U.S. made goods and services who would benefit from Export Credit Insurance and Working Capital Loan Guarantee programs. These programs provide financing and insurance coverage directly to U.S. exporters and tend to be heavily used by smaller businesses.

Most exporters access Ex-Im financing through private sector broker and lender partners. These partners typically serve as the primary point of contact for the exporter regarding their utilization of Ex-Im financing. Traditionally, Ex-Im's relationships with these partners have been focused on "post-application" support, with very little assistance in the "pre-application" phase (i.e., business development).

Given the constraints of personnel, resources, and time, Ex-Im's organizational realignment within the Office of Small Business will allow it to scale up its outreach efforts by adopting a wholesale strategy focused on the exporter-focused business development needs of Ex-Im's broker and lender networks. The purpose of this wholesale strategy is to provide assistance and resources to partners by enhancing their capability to identify, originate, and onboard new exporters who can take advantage of Ex-Im financing.

This new strategy was developed based on extensive interviews and through consulting with experts in channel operations. Ex-Im will provide an account manager to each qualifying partner, and that account manager will offer a menu of potential resources and services to aid the partner in finding and helping more exporters who can benefit from Ex-Im financing.

This effort has a number of defined metrics and targets Ex-Im will use to evaluate effectiveness. First and foremost, is the aggregate number of authorizations originated in Ex-Im's Export Credit Insurance and Working Capital Loan Guarantee programs. This will be further evaluated on a per partner basis to ascertain the value of the enhanced support provided in increasing the number of Ex-Im authorizations.

The second goal is to ensure that the partners continue to see value in the program, and that the assistance provided continues to be effective in helping them meet their goals. This will be measured based on the utilization and effectiveness of each type of assistance provided, as well as in aggregate on a quarterly basis by spot surveying partner participants.

Lastly, based on how business development leads will be provided to partners, Ex-Im will be able to measure both the number of Ex-Im authorizations associated with those leads, as well as the amount of non-Ex-Im financing these newly identified businesses were able to access directly from the private sector. This information can help provide better insight into how Ex-Im financing supplements the private sector and can provide value to partner institutions. These metrics also better align Ex-Im's program incentives with those of exporters and partners.

**RESPONSES TO WRITTEN QUESTIONS OF
SENATOR CORTEZ MASTO FROM KIMBERLY REED**

Q.1. Have borrowers needed forbearance because of reduced revenue? If so, can you explain what forbearance the Export-Import Bank offered and how those steps are working?

A.1. Yes, some borrowers have needed forbearance due to reduced revenue. Forbearance requests have been generally limited to airline borrowers—specifically linked to certain passenger airlines. The grounding of passenger airlines around the world has resulted in significant revenue declines for those airlines. Ex-Im is working with these airlines to provide short-term liquidity relief in order to protect the long-term financial interest of the U.S. taxpayer.

Ex-Im tracks the risk involved with any particular transaction by proactively managing the credit through all parts of the transaction lifecycle, extending from disbursement to repayment. Ex-Im monitors the credit-rating of obligors' debt service repayment capacity, considering all factors that directly impact ability and willingness to repay its debt in a timely manner. These ongoing reviews strengthen Ex-Im staff's familiarity and working relationships with obligors and allow the agency to identify credit vulnerabilities.

Given the current economic uncertainty, these reviews are happening rapidly and the risk of any particular transaction being in default is fluid based upon these reviews. The monitoring groups seek to achieve this goal through ongoing assessments of the operating environment and financial condition of the borrower and guarantors to determine whether there have been changes that suggest an increase or decrease in the risk associated with any of the key variables considered at origination. Given the frequent communication between Ex-Im, its borrowers, and guaranteed lenders, the ability to develop and implement remediation action is strengthened and provides Ex-Im with additional notice prior to default.

Accordingly, in order to provide flexibility and to minimize defaults, Ex-Im is providing short-term liquidity relief to its borrowers by:

- Working with lenders to restructure debt

- Waiving certain covenant requirements
- Allowing the use of reserve accounts and applying security deposits to current obligations
- Waiving payments in advance and applying payments in advance to current obligations
- Paying out claims on defaulted installments associated with guaranteed loans

As of this time, the nature of the stress for Ex-Im borrowers is primarily one of short-term liquidity, not long-term solvency. Therefore, Ex-Im expects its borrowers will focus on maintaining sufficient liquidity over the short term. Currently, with these liquidity relief efforts Ex-Im's portfolio is stable and performing.

Q.2. What is your estimate of a loan default rate at the end of the year? What can Ex-Im do to keep the default rate below 2 percent?

A.2. Ex-Im regularly performs default rate and stress test scenarios to estimate future paths of the default rate given the current market and financial conditions. As outlined in the "Stress Test Addendum" section in Ex-Im's latest Default Report to Congress (covering the quarter ending in June 2020),¹ Ex-Im utilizes a forward-looking approach for its stress testing protocol to develop stress scenarios that simulate defaults based on the latest portfolio and internal credit ratings for its transactions.² For each scenario, Ex-Im runs 20,000 Monte Carlo simulations to create a distribution of possible losses. Ex-Im reports its stress test results to Congress on a semiannual basis and always includes a base case scenario that assumes no underlying adverse financial or market conditions. As of June 2020, the base case scenario's expected default rate (i.e., the median value of the 20,000 Monte Carlo simulations) is 0.38 percent with a 95 percent confidence level that it would be less than 1.94 percent.

As part of the June 2020 Default Report, Ex-Im performed a specific COVID-19 stress test scenario that covered a 1–2 year forward-looking period for the three areas in the portfolio that are expected to be most impacted by the fallout of the COVID-19 pandemic: Transportation, Commodities, and Sovereign risk (non-Transportation). Staff simulated deteriorating financial and market conditions by applying risk rating downgrades to every transaction in these three sectors. Under this highly stressed scenario, Ex-Im's expected median default rate would be 0.85 percent with a 95 percent confidence level that it would be less than 2.63 percent.

Ex-Im proactively manages its portfolio and maintains continuous contact with its borrowers in order to assess their needs and minimize potential defaults in this unprecedented crisis. As described in response to Question 1, Ex-Im has undertaken a number of measures to provide forbearance to borrowers experiencing liquidity needs.

The COVID-19 pandemic is a highly fluid and dynamic situation, and as more time elapses, a protracted crisis could result in increased defaults, impede recovery efforts, and thereby cause Ex-

¹ Pursuant to 12 U.S.C. § 635g(g); available at <https://www.exim.gov/who-we-serve/congressional-and-government-stakeholders/facts-about-exim/default-rate-reports>.

² Ex-Im's internal risk rating system is similar to Moody's or S&P's credit rating system.

Im's default rate to rise. Ex-Im will continue to provide relief as necessary and appropriate to its borrowers in order to protect the long-term financial interest of the U.S. taxpayer. Ex-Im will continue to update its default rate and stress test scenarios to reassess the impact of COVID-19 on its portfolio.

Q.3. How has COVID-19 affected the ability of foreign companies to secure financing? Is it easier or more difficult for foreign companies that are buying from U.S. companies to obtain financing from the private sector?

A.3. COVID-19 has negatively impacted the ability of foreign companies to secure financing because of the uncertainty it has created in the market. Various reports indicate that lenders in multiple jurisdictions are building up their loan-loss reserves in anticipation of increased defaults in their current portfolios. Every dollar that is held to provision for potential losses on existing loans is one that cannot be used to extend new credit to customers. With a shrinking amount of money to make loans, lenders tend to prioritize their top clients, making it difficult for other companies to access financing.

Additionally, if foreign buyers are using their local banks (or other banks without U.S. dollar deposits), it is difficult—and very expensive—to obtain term financing in U.S. dollars. While the Federal Reserve has implemented swap lines to central banks in select markets to facilitate short-term U.S. dollar liquidity, purchases of U.S. capital equipment generally require medium- or long-term financing due to the cost and nature of the goods sold. Foreign companies looking to buy U.S. exports such as these may find that the private sector is unable to provide competitive financing in U.S. dollars to facilitate the purchase.

Ex-Im expects to provide greater detail and insight on the measures introduced by foreign export credit agencies to mitigate the effects that COVID-19 is having on trade and export finance as part of its annual Report to the U.S. Congress on Global Export Credit Competition, covering calendar year 2020. This report will also incorporate insight and analysis based on surveys and interviews with market participants and will be released in June 2021.

Q.4. How has the impact of the COVID-19 pandemic affected Ex-Im's risk management practices?

A.4. The COVID-19 pandemic has resulted in material macro-economic, financial, and political deterioration across a number of markets. As a result of the systemic and country-specific shocks stemming from the COVID-19 pandemic, Ex-Im has undertaken a number of actions both with regard to applications currently under consideration as well as those transactions that are currently in repayment in order to fulfill its mission to support U.S. jobs while minimizing the risk of loss to the U.S. Government.

Ex-Im's framework for analyzing transactions begins with an assessment of country risk. Ex-Im is the Secretariat for an inter-agency working group, chaired by the Office of Management and Budget, that risk rates a country's ability and willingness to repay its debt. In its role as Secretariat, Ex-Im's country economists prepare the reports containing the assessment of country risk for review and approval by the interagency working group. This system, known as the Interagency Country Risk Assessment System

(ICRAS) provides separate risk ratings for lending to the sovereign Government and lending to private borrowers. The results of these reviews inform Ex-Im's determination about whether transactions in a given market may meet the statutory requirement for a reasonable assurance of repayment, as reflected in the Country Limitation Schedule (CLS). The CLS is available on Ex-Im's website and informs of the markets in which it is open for business and general terms and conditions for considering transactions in each market.³ Since the COVID-19 pandemic began, the interagency working group has modified the ICRAS ratings for a number of countries in recognition of the heightened risk brought on by deteriorating conditions.

Ex-Im supplements the ICRAS reviews with continued monitoring of economic conditions both globally and in individual countries. This monitoring has been particularly important in helping the agency more quickly identify how on the ground realities are shifting the risk profile. Based on these timely reviews, Ex-Im may further modify its risk ratings or CLS when necessary to respond to significant developments on the ground, either with regard to an individual transaction or for all transactions in a particular country.

Ex-Im is also considering the effects of COVID-19 when reviewing individual transactions to determine whether there is a reasonable assurance of repayment. The analysis may include a review of the financial and operating conditions pre-COVID-19 and how COVID-19 is affecting current operations.

Ex-Im tracks the risk involved with any particular transaction by proactively managing the credit through all parts of the transaction lifecycle, extending from disbursement to repayment. Ex-Im monitors the credit-rating of obligors' debt service repayment capacity, considering all factors that directly impact ability and willingness to repay its debt in a timely manner. These ongoing reviews strengthen staff's familiarity and working relationships with obligors and allow the agency to identify vulnerabilities in the credits.

Given the current economic uncertainty, these reviews are happening rapidly and the risk of any particular transaction being in default is fluid based upon these reviews. The monitoring groups seek to achieve this goal through ongoing assessments of the operating environment and financial condition of the borrower and guarantors to determine whether there have been changes that suggest an increase or decrease in the risk associated with any of the key variables considered at origination. Given the frequent communication between Ex-Im, its borrowers, and its guaranteed lenders, the ability to develop and implement remediation action is strengthened and provides Ex-Im with additional notice prior to default.

Q.5. The Ex-Im Bank's reauthorization included a goal to set aside at least 5 percent of annual funds to finance renewable energy, energy efficiency, and energy storage technology exports.

What is Ex-Im's plan to ensure 5 percent of funds are being set aside to finance renewable energy exports?

³ Available at <https://www.exim.gov/tools-for-exporters/country-limitation-schedule>.

A.5. Ex-Im’s total outstanding loan, guarantee, and insurance exposure is capped at a total of \$135 billion.⁴ As of June 30, 2020, Ex-Im’s aggregate outstanding exposure stood at \$45.6 billion, with \$89.4 billion (66 percent) available to finance U.S. exports for any sector, industry, constituency, or export destination, consistent with applicable statutory and policy limitations.

To the best of Ex-Im’s knowledge, the agency has always had sufficient financing authority to finance qualified applications for renewable energy, energy efficiency, and energy storage technology exports.

Ex-Im’s 2019 Congressional reauthorization makes it “a goal of the Bank to ensure that not less than 5 percent of . . .” the aggregate loan, guarantee, and insurance authority “is available each fiscal year for the financing of renewable energy,” energy efficiency, and energy storage technology.⁵ The statute does not establish a “set aside” that would require Ex-Im to delay or deny financing for exports that are not considered renewable energy, energy efficiency, or energy storage technology exports.

Q.6. Is Ex-Im increasing its outreach to companies in the energy sector in order to meet this goal?

A.6. Ex-Im places a high priority on supporting renewable energy and environmentally beneficial exports, consistent with applicable statutory mandates.⁶ Ex-Im seeks to increase the amount of its financing for renewable energy, energy efficiency, energy storage, and environmentally beneficial exports through increased outreach and engagement on Ex-Im’s value proposition.

Ex-Im’s outreach and engagement strategy for these key sectors is centered around identifying U.S. businesses that are active in this space and that are looking to export their goods and services to foreign buyers. To accomplish this objective, Ex-Im participates in a number of events that serve as focal points for U.S. renewable energy manufacturers, prospective buyers, trade associations, and Government officials. These include trade events related to, for example, wind power, microgrids, solar power, and energy storage. Ex-Im has also participated in reverse trade missions and inter-agency working groups that focus on supporting U.S. renewable energy exports. Ex-Im also maintains regular contact with U.S. exporters and foreign buyers in the sector who have previously utilized Ex-Im financing to identify new financing opportunities.

Ex-Im featured several conversations related to renewable energy, energy storage, and energy efficiency technologies at its 2020 Annual Conference, which reached over 1,700 registrants, the largest conference in the agency’s history.⁷ During a fireside chat with Chairman Reed on the main stage, U.S. Department of Energy Secretary Dan Brouillette spoke about energy storage technology, noting: “Coordinating with stakeholders is critical as we work to position the United States as a global leader in energy storage technologies of the future. While research and development are the foundation of advancing these technologies, the Trump Administra-

⁴ 12 U.S.C. § 635e(a)(2).

⁵ Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV, § 407, December 20, 2019, codified at 12 U.S.C. § 635(b)(1)(K).

⁶ 12 U.S.C. § 635(b)(1)(C), 12 U.S.C. § 635(b)(1)(K), 12 U.S.C. § 635i-3(b)(1).

⁷ For more information, see <https://www.exim.gov/events/annual-conferences/2020/agenda>.

tion recognizes global leadership also requires a commitment to commercializing technologies from the lab to the marketplace.”⁸ As these technologies become commercially available, Ex-Im will continue to work closely with the Department of Energy and other Federal agencies to support these exports, consistent with applicable statutory requirements.

In 2019, recognizing the importance of this mandate, Chairman Reed tasked Ex-Im Director Judith Pryor with supporting Ex-Im’s outreach and engagement with major U.S. exporters involved in renewable energy and environmentally beneficial exports. Director Pryor joined the Commerce Department’s Renewable Energy and Energy Efficiency Advisory Committee for a roundtable last year and, in late August, participated in the Energy Storage Association’s Annual Conference to encourage buyers of U.S. energy storage exports to access Ex-Im financing for future capital-intensive hybrid and stand-alone energy storage projects. While some of her business development travel has been postponed due to COVID travel restrictions, Director Pryor has also been meeting with a wide range of stakeholders, highlighting how Ex-Im’s financing solutions can help U.S. business reach and compete in new markets.

More recently, Ex-Im established an interdivisional renewable energy working group to strategize additional ways to increase Ex-Im’s financing of renewable energy, energy efficiency, and energy storage exports. The working group meets regularly and is focused on enhancing collaboration and leveraging resources across divisions and interagency partners to improve Ex-Im’s outreach and communication to this sector.

These ongoing efforts have also been supplemented with additional outreach and engagement associated with Ex-Im’s Program on China and Transformational Exports (the “Program”), under which the agency has a goal to reserve not less than 20 percent of its aggregate loan, guarantee, and insurance authority towards financing exports under the Program.⁹ Ex-Im is charged with offering financing under the Program that, to the extent practicable, is fully competitive with the rates, terms, and conditions offered by the People’s Republic of China (and other countries as may be designated by the Secretary of the Treasury) in order to advance the “comparative leadership of the United States” or support “innovation, employment, and technological standards, through direct exports” in 10 specific areas, including renewable energy, energy efficiency, and energy storage.

As Ex-Im works to establish the Program, Chairman Kimberly Reed launched the Strengthening American Competitiveness Initiative, which seeks to engage stakeholders from the 10 key areas identified in statute. On May 7, 2020, Ex-Im convened a roundtable discussion via teleconference focused on renewable energy exports to discuss how Ex-Im can better position its products and policies to further support the renewable energy and energy storage sector

⁸“Department of Energy and Export-Import Bank Fireside Chat”, 2020 Ex-Im Annual Conference, September 11, 2020. Excerpts available at <https://www.energy.gov/articles/department-energy-and-export-import-bank-fireside-chat>.

⁹ 12 U.S.C. § 635(1)(3)(A).

under the Program.¹⁰ More than 260 business owners and stakeholders in the U.S. renewable energy sector participated in the call.

Q.7. How can Congress better position U.S. exporters of renewable energy products to respond to increasing foreign demand?

A.7. As described above, Ex-Im is committed to supporting U.S. exporters in the renewable energy sector. Based on feedback from exporters and other stakeholders, some of the main challenges facing exporters revolve around foreign Government industrial and trade policies that may put U.S. businesses at a competitive disadvantage in global markets. While Ex-Im does not have any specific policy recommendations to address these matters, the agency is pleased to work with this Committee on policy proposals that are related to export finance.

Q.8. Please provide information on renewable energy export deals, including types of products exported, number of deals made, the dollar value of total insured shipments, guaranteed credit, or disbursed loans, total authorizations, and other relevant data, made since you were confirmed.

A.8. Since Chairman Reed was confirmed by the Senate on May 8, 2019, Ex-Im has authorized 18 transactions supporting the export of renewable energy technologies, as of September 15. The chart below reflects Ex-Im's financial authorizations for renewable energy exports since May 8, 2019. These authorizations include transactions that are still being utilized by U.S. exporters. As a result, the total amount of insured shipments, guaranteed credits, and disbursed loans associated with these authorizations is not yet available.

EXIM AUTHORIZED FINANCING FOR RENEWABLE ENERGY EXPORTS SINCE MAY 8, 2019			
Financing Type	Number	Total Authorization Amount (\$)	Attributed Amount (\$)
Insurance	15	16,604,000	16,604,000
Working Capital	2	9,000,000	9,000,000
Loan Guarantee	1	91,481,000	4,574,000
Direct Loans	0	0	0
Total	18	\$117,085,000	\$30,178,000
Energy Type	Number	Total Authorization Amount (\$)	Attributed Amount (\$)
Solar	11	93,956,000	7,050,000
Biofuel	5	22,911,000	22,911,000
Hydroelectric	1	68,000	67,000
Geothermal	1	150,000	150,000
Total	18	\$117,085,000	\$30,178,000
Note: Amounts are rounded to thousands. The Attributed Amount reflects the prorated portion of the authorization that is attributed to facilitating renewable energy exports. Data is as of September 15, 2020.			

The below chart reflects the amount of insured shipments, guaranteed credits, and disbursed loans since May 8, 2019, and includes

¹⁰The recorded call can be accessed at <https://www.exim.gov/who-we-serve/external-engagement/strengthening-american-competitiveness>.

activity associated with transactions that were authorized prior to May 8, 2019.

EXIM FINANCING FOR RENEWABLE ENERGY EXPORTS SINCE MAY 2019		
Financing Type	Number	Amount Insured, Guaranteed, and Disbursed (\$)
Insurance	9	12,006,000
Working Capital	2	9,000,000
Loan Guarantee	0	0
Direct Loans	0	0
Total	11	\$21,006,000
Energy Type	Number	Amount Insured, Guaranteed, and Disbursed (\$)
Solar	6	11,875,000
Biofuel	2	9,000,000
Hydroelectric	1	31,000
Geothermal	2	279,000
Total	11	\$21,185,000
Note: Amounts are rounded to thousands. The Amount Insured, Guaranteed, and Disbursed reflects information reported to EXIM as of September 16, 2020.		

Q.9. What outreach is Ex-Im doing to underserved communities or business owners? Does Ex-Im have any initiatives or plans to further support businesses in rural communities, especially in the wake of the pandemic?

A.9. Ex-Im has established a Minority- and Women-Owned Business (MWOB) group, which is staffed by a dedicated team of business development specialists who work with businesses owned by minorities, women, veterans, and persons with disabilities to help them access Ex-Im financing.

This group has established long-standing partnerships with organizations that have a minority trade focus and are dedicated to working with Ex-Im to educate and raise awareness about opportunities for exporters. Some of these organizations include the National Minority Supplier Development Council, Women's Business Enterprise National Council, U.S. Hispanic Chamber of Commerce, National ACE, the Minority Business Development Agency, the National Center for American Indian Enterprise Development, the American Indian Chamber, and the Native American Development Corporation, the Disabled Business Association, and the National Veteran Business Council.

Ex-Im's MWOB team also travels throughout the country to collaborate with its partners by hosting export seminars, participating in trade shows, and organizing workshops focused on trade finance and global business development.

In FY2019, Ex-Im staff participated in 119 outreach and education events across the country engaging minority- and women-owned businesses. In FY2019, Ex-Im approved \$440.6 million in support of MWOB businesses.

Ex-Im's 2019 reauthorization underscored the importance of outreach and engagement to small businesses owned by women, minorities, veterans, and persons with disabilities, as well as those lo-

cated in rural areas and start-up businesses.¹¹ In order to strengthen its efforts in this regard, Ex-Im is increasing its outreach staff to help more of these targeted businesses learn about how its tools can support their ability to increase exports and grow their workforce.

As Chairman Reed described in her testimony, Ex-Im is undertaking a number of initiatives that are designed to enhance the agency's outreach to small businesses all across the country, including those in underserved communities and rural areas.

Throughout FY2020, Ex-Im has embarked on its All America Initiative, an outreach effort focused on supporting companies of all sizes in the 50 U.S. States, the District of Columbia, and five U.S. Territories. To achieve this goal, Ex-Im's Board Members and staff participated in numerous events to educate businesses, State and local government economic development agencies, chambers of commerce, trade associations, and other organizations about how Ex-Im can support growth through exporting. The Initiative began with in-person events, then pivoted to virtual engagements after the onset of the COVID-19 pandemic. Ex-Im recently released a video highlighting the agency's commitment to supporting exporters across the country and increasing awareness of its products.¹²

By boosting field office staff, Ex-Im will have greater ability to send staff to meet businesses and exporters throughout their designated regions. Field staff are able to readily participate in local trade shows, seminars, and workshops, as well as give presentations to local chambers of commerce.

Ex-Im is also working on enhancing its private sector partnerships. Currently, there are 54 private sector lenders actively participating in Ex-Im's delegated authority program for working capital loan guarantees. Ex-Im has signed memoranda of understanding with both the National Credit Union Administration and the National Association of Federally Insured Credit Unions to collaborate on educational and outreach initiatives. Through these efforts, Ex-Im looks to engage credit unions on participating in its Working Capital Loan Guarantee program.

Recognizing the important role that agriculture plays in supporting rural economies and jobs, Chairman Reed has also sought to increase Ex-Im's outreach to the agricultural sector. When Ex-Im reconstituted its advisory committees in 2019, Chairman Reed recommended, and the Board of Directors approved, the appointments of Georgia Agriculture Commissioner Gary Black to serve as a member of the Advisory Committee and North Dakota Agriculture Commissioner Doug Goehring to serve on the Sub-Saharan African Advisory Committee.

After COVID-19 began to spread earlier this year, Ex-Im has participated in teleconferences hosted by the National Association of State Departments of Agriculture and the U.S. Department of Agriculture (USDA) focused on educating participants on how Ex-Im can facilitate agricultural sales in new and existing markets and support U.S. jobs.

¹¹ Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV, § 403, December 20, 2019, codified at 12 U.S.C. § 635(b)(1)(E)(i)(I).

¹² Available at <https://grow.exim.gov/all-america-video>.

In August, Ex-Im signed a Memorandum of Understanding with USDA to improve coordination and collaboration as it relates to supporting exports related to U.S. agricultural commodities, educating small agribusinesses and cooperatives, and analyzing market risk.

Ex-Im has additional outreach efforts targeting rural companies and communities through its Regional Export Promotion Program (REPP) which brings together State, county, and local nonprofit economic development entities with the agency to partner to expand export opportunities in rural communities.

Given social distancing guidelines that have been in effect since March, Ex-Im has presented in 135 webinars with exporters, lenders, brokers, and partner organizations; enhanced outreach through email communications by conducting more than 340 email campaigns, reaching more than one million inboxes; and released an audio series on receivables financing, insuring receivables against the risk of nonpayment, and negotiating repayment terms in uncertain times.¹³

Q.10. What process is Ex-Im using to ensure that there is no financing of sales to entities that violated the Foreign Corrupt Practices Act, are on sanctions lists, or are flagged as bad actors by the U.S. Government?

A.10. Ex-Im has a multilayered system for performing due diligence on the parties involved in its transactions. The initial step is screening, which involves running the names of buyers, borrowers, exporters, lenders, and others through a subscription database clearinghouse that includes the Department of Treasury Office of Foreign Assets Control (OFAC) sanctions list, State Department and Commerce Department lists, the U.S. Government exclusions (i.e., debarment) lists, Department of Justice (DOJ) and Federal Bureau of Investigation lists, Politically Exposed Persons lists, and the Multilateral Institutions exclusions lists, among others. If there is a “hit” on any of these lists, the transaction undergoes further legal review to determine whether and under what circumstances it can move forward and satisfy all applicable statutory requirements. If the entity is on any of the foregoing U.S. Government exclusion list, Ex-Im acts accordingly.

With regard to the Foreign Corrupt Practices Act of 1977, as amended (15 U.S.C. 78dd-1, et seq.) (FCPA), penalties for violations are addressed elsewhere in law and are based on the severity of the violation. Ex-Im is not aware of any provision of law that denies access to U.S. Government financing for entities that have violated the FCPA. Questions about penalties associated with FCPA violations should be directed to DOJ. When, through the screening process or other due diligence, Ex-Im becomes aware of a party being convicted for FCPA violations, Ex-Im applies enhanced due diligence to such cases to assure that the party in question has cooperated with DOJ, the Securities and Exchange Commission, or other applicable regulators; has removed the bad actors involved in the violation; and, most importantly, has remediated or is remediating the compliance failures that allowed the violation to occur.

¹³ Available at <https://www.exim.gov/what-we-do/export-credit-insurance>. A Spanish language version is under development.

Ex-Im has the authority to deny applications for financing if there is “substantial credible evidence that any party to the transaction or any party involved in the transaction has committed an act of fraud or corruption in connection with the transaction.”¹⁴ All reasonable suspicions of a violation of law in connection with an Ex-Im application or transaction are promptly referred to the Ex-Im Inspector General’s Office of Investigations, where special agents conduct investigations of the matter and communicate their findings to Ex-Im’s Office of General Counsel. As required by Ex-Im’s 2019 reauthorization, transactions must be denied if the “end user, borrower, lender, or exporter has been convicted of an act of fraud or corruption in connection with an application for support from the Bank made in the preceding 5 years.”¹⁵ All parties subject to this provision are identified through Ex-Im’s customer due diligence screening procedures.

In addition to screening and enhanced due diligence, all Ex-Im transactions are subjected to varying degrees of credit underwriting (depending on the program, financing amount, and risk rating). Ex-Im may also review open source information as part of its due diligence review.

Transactions over \$25 million are subject to review by the State Department and the National Advisory Council on International Monetary and Financial Policies, which is chaired by the Secretary of the Treasury and includes representatives from the State Department, the Commerce Department, and the United States Trade Representative.¹⁶

Ex-Im has recently launched a Customer Due Diligence Working Group tasked with an in-depth review of Ex-Im’s customer due diligence and reporting on ways that Ex-Im’s customer due diligence can be improved to meet best practices standards in the prevention and detection of financial crime, including fraud, bribery, money-laundering, and sanctions violations.

As part of this effort, Ex-Im issued a Request for Quote on a contract for a Comprehensive Review of Illicit Finance Risks. Ex-Im contracted with a small business in September 2020 that will complete a comprehensive report by December 31, 2020.¹⁷

RESPONSES TO WRITTEN QUESTIONS OF SENATOR JONES FROM KIMBERLY REED

Q.1. *Minority and Women Owned Businesses*—According to the Ex-Im’s website, 18 Alabama small businesses have used the bank’s services since 2019. Of those small businesses only 1 is minority owned and 7 are women owned. These numbers seem low. What is the total number of minority and women owned businesses helped across the country since 2019? Bloomberg recently reported that African American owned businesses declined by 41 percent from February to April, representing 440,000 businesses. I’ve heard from folks in Alabama’s Black Belt that they’re concerned about the pan-

¹⁴ 12 U.S.C. § 635(f).

¹⁵ Ibid; see also: Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV, § 406, December 20, 2019.

¹⁶ Exec. Order No. 11,269, 31 FR 2,813 (Feb. 14, 1966), as amended. 22 U.S.C. § 286b note.

¹⁷ More information available at <https://beta.sam.gov/opp/d9a82a1080b8466eb806f3e14d51d319/view>.

demic impacts, but they'd like to make sure businesses in their communities are supported. What outreach is the Export-Import Bank doing to minority and women owned businesses to ensure they're supported and aware of your programs?

A.1. Ex-Im's financing is not disbursed on the basis of a predetermined amount of financing for an individual sector, industry, constituency, or export destination. Rather, it is primarily driven by the needs of U.S. businesses and their foreign buyers to access Ex-Im financing in order to facilitate U.S. exports. Consistent with applicable statutory requirements, qualified applicants must agree to pay applicable fees, premia, and interest to access Ex-Im financing.¹ Applications must also align with the requirement that the private sector was unable to provide viable, competitive financing and that Ex-Im financing will supplement, not compete with, private capital.²

Given statutory requirements for qualifying applications described above, Ex-Im seeks to increase the amount of its financing for statutorily identified constituencies (including minority- and women-owned businesses), sectors, and geographic regions through increased outreach and engagement on Ex-Im's value proposition. In order to achieve these objectives, Ex-Im works to build awareness among the business community and stakeholder organizations about how the agency's financing can support exports. By improving awareness, Ex-Im encourages more qualifying businesses to consider applying for financing.

Since January 2019, Ex-Im has authorized financing for a total of 315 businesses that self-identify as minority-owned businesses.

Ex-Im has established a Minority- and Women-Owned Business (MWOB) group, which is staffed by a dedicated team of business development specialists who work with businesses owned by minorities, women, veterans, and persons with disabilities to help them access Ex-Im financing.

This group has established long-standing partnerships with organizations that have a minority trade focus and are dedicated to working with Ex-Im to educate and raise awareness about opportunities for exporters. Some of these organizations include the National Minority Supplier Development Council, Women's Business Enterprise National Council, U.S. Hispanic Chamber of Commerce, National ACE, the Minority Business Development Agency, the Disabled Business Association, and the National Veteran Business Council.

The MWOB team also travels throughout the country to collaborate with its partners by hosting export seminars, participating in trade shows, and organizing workshops focused on trade finance and global business development. As a result of the COVID-19 pandemic, this group has increased its focus on digital outreach and education tools.

Ex-Im welcomes congressional feedback on additional organizations that could serve as potential partners to enhance Ex-Im's outreach, as well as other avenues to better reach minority- and

¹ 12 U.S.C. § 635(c)(1).

² 12 U.S.C. § 635(b)(1)(B).

women-owned businesses that are interested in exporting and could benefit from its financing tools.

Q.2. *Healthcare Manufacturing*—Relying on other countries, namely the People’s Republic of China (PRC), for production of basic medical necessities has been a public health risk during the pandemic. My bill, the Build Health Care Equipment in America Act, incentivizes companies to do just that. More healthcare manufacturing could grow out of our existing manufacturing and biotechnology economies.

Nidek Medical, a Birmingham company, manufactures high quality oxygen concentrators for 110 markets worldwide, including the PRC. Its CEO credits Ex-Im for getting him off the ground in the early days in part because of the bank’s support. In fact, U.K. Prime Minister Boris Johnson recovered from COVID–19 thanks to an Alabama made machine. As a result, the British Royal Air Force sent planes to Alabama to pick up thousands more. Mexico’s President personally called the CEO of Nidek Medical to order 1,000 oxygen concentrators. Would expanding Ex-Im financing for the healthcare manufacturing sector specifically help more American producers get off the ground?

A.2. In the 2019 legislation directing the establishment of the China and Transformational Exports Program, Congress explicitly charged Ex-Im with advancing “the comparative leadership of the United States” with respect to China and supporting “United States innovation, employment and technological standards” by facilitating exports from among 10 key areas, including biomedical sciences.³

Ex-Im recognizes that the biomedical sciences sector represents a critical area for America’s global technological leadership and has a direct bearing on our Nation’s economic and national security. As Ex-Im works to establish the program, Chairman Kimberly Reed launched the Strengthening American Competitiveness Initiative, which seeks to engage stakeholders from these 10 key areas. On July 16, Ex-Im held a teleconference with biomedical industry representatives to discuss how the agency can support this important sector.⁴

Ex-Im has a long history of supporting exports in the health care industry, dating at least back to 1945 when it provided financing to the Netherlands for the purchase of various U.S. goods and services, including medical supplies.

Some of the exports of medical equipment and supplies supported by Ex-Im since 2016 include mobility machinery, surgical and orthopedic instruments, prosthetic limbs, dental and orthodontic supplies and equipment, optometry and ophthalmology equipment, X-ray and ultrasound machines, and research laboratory equipment, among other things.

In FY2019, Ex-Im financed 72 transactions, providing \$36.3 million to facilitate exports in the health care manufacturing sector.

³Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV, § 402(a), December 20, 2019, codified at 12 U.S.C. § 635(l).

⁴The recorded call can be accessed at <https://www.exim.gov/who-we-serve/external-engagement/strengthening-american-competitiveness>.

This included 69 transactions, providing \$34.4 million that directly supported exports from small businesses.

As part of our Nation's domestic response to the COVID-19 crisis, however, Ex-Im has temporarily excluded certain medical supplies and equipment that the President of the United States and other Federal agencies have designated as being in short supply. Ex-Im will continue to monitor developments to continue supporting U.S. exporters while not detracting from the need to maintain sufficient domestic supplies to address the COVID-19 crisis.⁵

More generally, Ex-Im's financing is not disbursed on the basis of a predetermined amount of financing for an individual sector, industry, constituency, or export destination. Rather, it is primarily driven by the needs of U.S. businesses and their foreign buyers to access Ex-Im financing in order to facilitate U.S. exports. Consistent with applicable statutory requirements, qualified applicants must agree to pay applicable fees, premia, and interest to access Ex-Im financing.⁶ Applications must also align with the requirement that the private sector was unable to provide viable, competitive financing and that Ex-Im financing will supplement, not compete with, private capital.⁷

Demand for Ex-Im financing varies by sector and may change over time, based on the capacity of private sector financial institutions, the relative competitiveness of U.S. exports, and the presence of foreign Government-backed export credit financing, among many other variables.

Due to the statutory requirement of reasonable assurance of repayment, Ex-Im is generally not in a position to provide export financing related to new businesses. Ex-Im typically requires that companies have 3 years of audited financial statements to demonstrate that they can fulfill their repayment obligations.

Newer businesses that meet applicable credit standards and are looking to expand global sales tend to utilize Ex-Im's working capital and export credit insurance programs. These programs enable businesses to increase their access to capital while offering their foreign buyers competitive repayment terms, which enables them to maintain and grow their American workforce.

Q.3. *Competing with China*—Investing in the growth of America's biotechnology, AI, telecom, and quantum computing sectors is not only vital to preparing for future growth, but to compete against China's State-backed industries.

These industries also happen to be growth sectors targeted by some of Alabama's largest employers like Daimler, Toyota, UAB, Redstone Arsenal and Maxwell Air Force Base. For example, Huntsville-based Adtran, recently beat out Huawei for a significant contract overseas.

I'd like your assessment on how well the new Ex-Im China program has fared to date. How does the bank intend to do outreach to potential participants, like the small- and medium-sized companies affiliated with Alabama's high tech industries who could benefit?

⁵ More information available at <https://www.exim.gov/coronavirus-response/fact-sheet-exim-response-to-scarce-covid-19-related-medical-supplies>.

⁶ 12 U.S.C. § 635(c)(1).

⁷ 12 U.S.C. § 635(b)(1)(B).

What is your opinion on giving healthcare manufacturing financial incentives to help the U.S. compete with China’s recent medical diplomacy—or “mask diplomacy”—they have attempted to leverage for geopolitical benefit?

A.3. In the 2019 law directing the establishment of the Program on China and Transformational Exports (the “Program”), Congress explicitly charged Ex-Im with advancing “the comparative leadership of the United States” with respect to the People’s Republic of China (PRC) and supporting “United States innovation, employment and technological standards” by facilitating exports from among 10 key transformational export sectors, including biotechnology, artificial intelligence, wireless communications equipment, and quantum computing.⁸ Ex-Im recognizes that these sectors represent critical areas for America’s global technological leadership and have a direct bearing on our Nation’s economic and national security.

Ex-Im is diligently working with exporters, stakeholders, and interagency partners to develop a program that will effectively meet the mission laid out by Congress. Ex-Im is prioritizing actions to address the underlying policy, legal, resourcing, and operational issues necessary to implement the Program. Despite the fact that the agency did not receive any additional funding for implementation, Ex-Im has brought onboard two senior detailees to lead the Program and leverage support from across the agency. Ex-Im has reallocated and prioritized its limited existing resources in order to facilitate implementation of the Program.

As part of this effort, Chairman Kimberly Reed launched the Strengthening American Competitiveness initiative, which sought to engage stakeholders from the 10 transformational export sectors.⁹ Over the course of this initiative, Ex-Im engaged with more than 1,100 key stakeholders, including representatives from the fields of artificial intelligence, high-performance computing, quantum computing, and biomedicine. These conversations provided insightful, actionable information about challenges that companies in those sectors are experiencing, particularly as it relates to PRC-backed competition. This feedback is playing a crucial role in ensuring Ex-Im is best positioned to deliver on its mission to support American jobs by facilitating U.S. exports.

Additionally, Ex-Im works to identify opportunities for Board Members and staff to engage in outreach to educate small- and medium-sized businesses on all financing options, including the Program on China and Transformational Exports. This can occur through speaking engagements, conferences, trade shows, webinars, podcasts, District Export Council events, and meetings with exporters.

Ex-Im seeks to ensure broad outreach to businesses across the country, leveraging staff resources, technological solutions, and regional partners. Ex-Im has field staff assigned to support outreach to U.S. exporters in every U.S. State and territory, including Alabama. In Alabama alone, Ex-Im works with six participating Working Capital Guarantee Program Lenders, 36 licensed insurance bro-

⁸Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV, § 402(a), December 20, 2019, codified as 12 U.S.C. § 635(l).

⁹The recorded calls can be accessed at <https://www.exim.gov/who-we-serve/external-engagement/strengthening-american-competitiveness>.

kers, and, through its Regional Export Promotion Program, the Alabama International Trade Center.

In addition to these efforts, Chairman Kimberly Reed assigned Director Spencer Bachus—the former U.S. Congressman for Alabama’s Sixth Congressional District—a key role in supporting direct outreach to small businesses. Director Bachus, who lives in Alabama and has significant experience working with Alabama’s business community, has personally participated in a number of small business outreach events targeting Alabama businesses with the following partners:

- Mobile Area Chamber of Commerce (September 2019)
- Birmingham Business Alliance (November 2019)
- Huntsville Rotary Club (January 2020)
- North Alabama International Trade Association (September 2020).

That said, Ex-Im’s financing is not disbursed on the basis of a predetermined amount of financing for an individual sector, industry, constituency, or export destination. Rather, it is primarily driven by the needs of U.S. businesses and their foreign buyers to access Ex-Im financing in order to facilitate U.S. exports. Consistent with applicable statutory requirements, qualified applicants must agree to pay applicable fees, premia, and interest to access Ex-Im financing.¹⁰ Applications must also align with the requirement that the private sector is unable to provide viable, competitive financing and that Ex-Im financing will supplement, not compete with, private capital.¹¹

Demand for Ex-Im financing varies by sector and may change over time, based on the capacity of private sector financial institutions, the relative competitiveness of U.S. exports, and the presence of foreign Government-backed export credit financing, among many other variables.

Regarding the PRC’s “mask diplomacy,” as noted in the National Security Strategy of the United States of America, China challenges American power, influence, and interests.¹² The PRC’s “mask diplomacy” is consistent with its attempt to advance its geopolitical aspirations. Ex-Im understands that the U.S. is home to some of the most innovative medical device companies in the world, many of which are small- and medium-sized businesses.

Consistent with applicable legal and policy requirements, Ex-Im is committed to supporting U.S. exporters in the biomedical sector, including those that compete with the PRC.

Ex-Im offers financial tools to support U.S. manufacturers looking to export their products on competitive export financing terms to markets around the world. Ex-Im’s main financing tools are export credit insurance, working capital loan guarantees, and buyer financing programs. More general questions about financial incentives that are narrowly targeted to support U.S. healthcare manufacturers are outside the scope of Ex-Im’s mission.

¹⁰ 12 U.S.C. § 635(c)(1).

¹¹ 12 U.S.C. § 635(b)(1)(B).

¹² President Donald J. Trump. (2020) “National Security Strategy of the United States of America”. Available at <https://www.whitehouse.gov/articles/new-national-security-strategy-new-era/>.